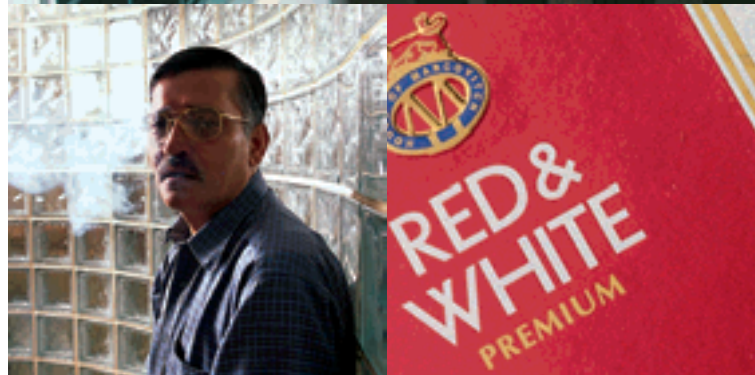
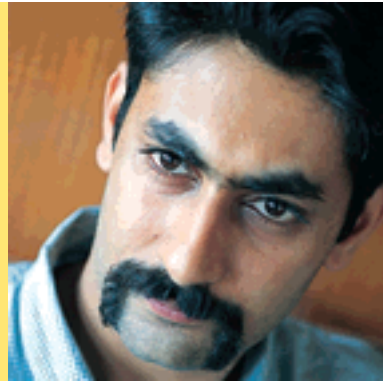




**Grow people, profits will follow** - At GPI, this has been our conviction and credo - that enhanced organizational performance always springs from individual inspiration and empowerment. **Strengthen your values to achieve your vision** - The core values of GPI were defined and every member of the GPI family was given the opportunity to participate in this process. From this emerged the vision that GPI must strive for; which is to become one of the leading players in the tobacco industry, not just in India, but also worldwide. **Performance blossoms when potential blossoms** - In working towards that vision, our talented employees have summoned a number of achievements. These achievements are a testament to their determination to achieve more, they were manifested in the continuous philosophy of innovation, in the standards of corporate trust and transparency that were set, they reflect their desire to set global standards and the conscience to be responsible social citizens. **Our roadmap of success** - It is our conviction that our growth and profitability are sustained by our adherence to the philosophy of nurturing individual potential. This realized potential leads to sustainable growth for our business and long term value creation for our shareholders.



“We took up the challenge of doing things differently and today we have really strengthened our sales and distribution processes. I think that our desire to change and the willingness to take risks is the real success factor...”





“ This is what happens when you set high standards for yourself - you achieve them! We have managed to grow our market share significantly, especially when compared to the industry rate of growth...”



“ We wanted to build trust, from the inside out. For that we needed to ensure transparency and accessibility... today our communication programme with employees is a model that others would want to emulate...”



## Fulfilling the potential to win

Inspired individuals share their story- what drove them to succeed against the odds and how they realized their goals.

“The launch of three new brands has been the joint effort of everyone, right across the company. From buying the leaf, to the blend, the R&D, the processing, the packaging and finally the marketing, sales and distribution all had to work in tandem, to achieve one goal. It's really true, **success is about teamwork, it is about five fingers coming together to form a fist.**”

- GPI grew by  
3 times the  
Industry rate of  
growth in 2002 - 03

- Successful launch of  
Tipper and Prince



“ I am really proud to be part of the team that worked on re-launching Prince in the market. We knew that we had a winning brand on our hands. We were so clear about the aim, we knew that we had to find a way to achieve it. *That's why I believe that once you have the*

*passion to succeed, nothing can stand in your way. Life has no limitations, except the ones you make.*”

The passion to succeed - it's a value that cuts right across the organization. Every individual is determined to realize his or her potential to be a winner.

## Nurturing the potential for innovation

As the next few testimonials prove, anything is possible when people are solutions oriented. Then there are no problems, only solutions waiting to be uncovered.

“ Today I feel responsible not just for my task in the factory but also for the overall quality of the finished product. I know that I can make innovative suggestions and implement them. *It makes me feel like I am not just a worker, but the owner of this factory, like I can do anything...*”

“I believe the most innovative brand in the market today is Tipper. It is a filter less cigarette that provides the smoker the attributes of a filter. That's what innovation is - fulfilling consumer needs that no one else has been able to do. *That's also the test of true leadership - when you create trends and concepts that even competitors want to emulate.*”

The potential for innovation. At GPI we try to make it a way of life for everyone, from the shop floor to the boardroom.

-Our factory productivity is one of the highest in the industry

-Our innovative approach to distribution has increased market penetration and brand visibility

-Launch of Tipper - a unique filter less cigarette with the attributes of a filter - a first in the industry & the country

"...once you have the passion to succeed, nothing can stand in your way.

Life has no limitations, except the ones you make."



## Realizing potential by building trust.

Our endeavor is to build an organization where transparency and trust is paramount, and accessibility is built into every level of functioning. Here's how it has helped us strengthen and grow to our potential.

"Hello GPI is an interactive online programme unique to us. No matter what our location or level in the organization, we are all encouraged to make suggestions for improvement to department heads which are usually acted upon. This builds a sense of transparency and trust amongst everyone... it is incredible how it has opened up our minds and hearts."

"What is truly unique about our ISO 9000 and ISO 14000 ratings is how they were achieved by the workers themselves, without the help of any ISO consultants.

**That's the great thing about building trust, everyone plays on the same side...** Tomorrow, the same spirit will help us to achieve 6 sigma quality standard have no doubt about that..."

We extend the same spirit of transparency and trust to our trade partners as well. That's what makes even big challenges seem achievable.



-Kaizen Teian  
(continuous improvement programme)  
being extended to every branch office of GPI  
across the country  
-INSAAN  
awards  
honoring the best suggestion made by workers. GPI has won this award 6 years running  
-ISO 9000 and ISO 14000 certification

Hello GPI - a unique initiative showcasing the participative management style at GPI



## Enhancing the potential for global success.

India is the second largest producer of tobacco in the world. Read for yourself how we at GPI are seizing this opportunity to achieve global success.

“We all know that the world is opening up and we have to seize the opportunity. Why should we not become among the best in the world and excel? All it means is that we have to be geared for global challenges and exceed the world's expectations. That's exactly what we plan to do and in the process, **we hope to make GPI truly an Indian multinational.**”



“ Today there are no geographical boundaries between India and the rest of the world. We recognize this fact and are geared up for it. We have set world class quality standards, employed world class skills, processes and technology and instituted global practices. But most of all we have imbibed the global mindset which will allow GPI to take its place amongst the best tobacco companies in the world.”



Across the board at GPI, the attempt is to fulfill our innate potential for global success. It is our conviction that this will propel GPI and India onto the world stage.

-Growth in  
Export turnover  
in all segments  
like un-  
manufactured  
tobacco, cut-filler  
& cigarettes

-Identifying key  
international  
markets to tap  
the potential

-The first  
cigarette company  
to market imported  
cigars in the country



## Fulfilling the potential for responsible citizenship

Nothing more aptly represents the true spirit of GPI as the many initiatives it takes to be a responsible corporate citizen. The commitment has always been to enrich and energize the community and society within which we operate. This commitment of GPI is a source of unrelenting pride for all of us.

- Red & White Bravery awards extended to 12 States

- Active participation in social benefit programmes like rehabilitation of Gujarat Earthquake victims

- Substantial contribution to the 'Aids Prevention Programme'



“ We are a commercial enterprise, providing value for our shareholders and consumers. However, what really taps into the spirit of our company is the social conscience it displays - the Red and White Bravery Awards for instance. I can't think of many companies who would have done this. **This is what captures the true essence of GPI. ”**



- Helped farmers increase yield per hectare of tobacco to 2270 kgs/hectare from 1770 kgs/hectare for normal tobacco & 2718 kgs/hectare for flavored tobacco, resulting in greater income generation for the farmers.

“All of us would like to help those less privileged than us. But in the hustle and bustle of everyday life, it's difficult to actually make that extra effort... that is why I value what my company does, like helping to rebuild villages in Gujarat after the earthquake. **With these gestures GPI touches the lives not just of those it helps directly, but our lives as employees as well. We are all enriched in ways that are difficult to describe.**”

“Godfrey Phillips deserves the appreciation and gratitude of the entire country...for handing out awards to felicitate, honour and recognize people who have willingly given their best, including their lives, selflessly for the sake of others.”

Retd. Justice V.B. Eradi

“ I am always with you in such brave, innovative acts. I think Red and White is deserving of an award for honouring social service. It is a whole new concept and adds a large dimension to the meaning of bravery.”

Kiran Bedi, Magasaysay Award Winner





## President's Message

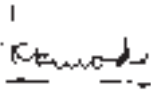
Dear Shareholder,

Your Company has had another year of record profit from operations before taxation and exceptional item of Rs. 79.60 crore. Our sales volume, sales revenue and profitability are all up on 2001-02. This has been achieved despite the strong competition from ITC Ltd, with its dominant position in the market, and the discriminatory taxation which favours the non- cigarette tobacco industry.

We have formulated a vision for GPI to become a leading tobacco player in India and beyond and to achieve this we have implemented a set of values across the entire company with active participation from all employees. Three new brands were launched in 2002-03, as were three cigar brands. We achieved a 7-fold increase in tobacco exports. A new sales and distribution system is being implemented across the country. Major investments are being made in our manufacturing facilities to enable us to produce world-class cigarettes to effectively compete in a globalised environment at competitive prices.

Our commitment to hiring and nurturing the best talent, continual training and a participatory management style is starting to show dividends, but we have a long way to go. The relationship we have with our shareholders, indeed all our stakeholders, including our customers, is of paramount importance and this is reflected in our new values and the new systems being adopted by the Company.

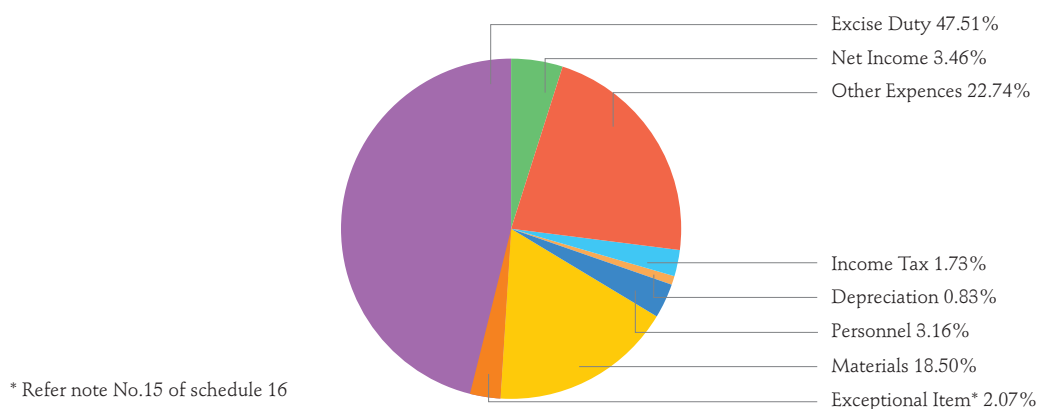
The change in our strategic direction appears to have put the Company on the road to future success and this should reap improved returns on your investment in future years.

  
K.K.Modi  
President





## Revenue distribution



## Financial Highlights

	Rupees in Lacs									
	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94
<b>CAPITAL EMPLOYED</b>										
Net Fixed Assets	7413	7037	6987	6384	5155	2695	2342	2021	1659	1611
Investments	15636	12873	8080	7722	3968	3647	2781	2628	3341	1496
Working Capital	5429	8510	12041	8619	13069	10449	8985	9202	5598	5561
Deferred Tax Assets (net)	797	-	-	-	-	-	-	-	-	-
Total	29275	28420	27108	22725	22192	16791	14108	13851	10598	8668
<b>FINANCED BY</b>										
Shareholders' Funds `	25966	24170	21597	18775	16239	13021	10280	8805	7416	5350
Borrowings	3309	4029	5511	3950	5953	3770	3828	5046	3182	3318
Deferred Tax Liabilities (net)	-	221	-	-	-	-	-	-	-	-
Total	29,275	28420	27108	22725	22192	16791	14108	13851	10598	8668
<b>OPERATING PERFORMANCE</b>										
Gross Revenue	109639	96002	100439	109408	106249	102355	88568	79768	75988	67680
Excise Duty	52085	47049	44375	57193	55639	55996	47951	45633	44592	40989
Depreciation	913	811	769	551	447	211	204	190	174	194
Profit Before Taxation	5690	7184	7237	6386	6808	5935	4500	3601	4845	2446
Profit After Taxation	3791	4780	4656	4210	4603	3885	2276	2012	2947	1255
Dividend	1768	1924	1664	1508	1248	1040	728	624	520	390
Corporate Dividend Tax	227	-	170	166	137	104	73	-	-	-
Retained Earnings	1796	2856	2822	2536	3218	2741	1475	1388	2427	865
<b>INVESTORS' DATA</b>										
Earning Per Equity Share (Rs.)	36.45	45.96	44.77	40.48	44.27	37.36	21.89	19.35	28.34	12.06
Dividend Per Equity Share (Rs.)	17	18.50	16.00	14.50	12.00	10.00	7.00	6.00	5.00	3.75
@ Book Value per Equity Share (Rs.)	247.43	230.15	205.42	178.27	153.89	122.94	96.58	82.39	69.05	45.71
Number of Shareholders	13068	13198	13797	14004	15557	16994	17977	18427	17705	16276

@ Excluding Revaluation Reserve

Dear Shareholder,

In spite of sluggishness in the consumer goods industries in general, the fact that we have been able to accomplish top line growth in sales and bottom line growth in profits is a tribute to our most valued assets, our brands and our people.

Whilst excise increases on cigarettes were not imposed in 2002-03, the share of cigarettes of total tobacco consumption in India is still a low 14%. The prohibitive and discriminatory tax on cigarettes acts as an effective subsidy to the non-cigarette tobacco industry including bidis and chewing tobacco, which grew during the period.

Just as we learn to cope with the discriminatory taxation, the passage of the Cigarette and Tobacco Product Act imposes further advertising and marketing restrictions, additional

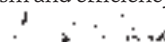
health warnings and product labeling which will adversely affect domestic cigarette brands against international brands whose promotion and marketing will still be seen on cable TV, international magazines and on neighbouring country TV. The imposition of a ban on tobacco sales within 100 yards of educational institutions will create significant dislocation and affect the livelihood of small retailers in India's densely populated environment, and needs to be rethought.

We are not opposed to sensible regulation on the industry, but it must pass the test of fairness, equal treatment for all tobacco products including

imports and still achieve the government's objectives. The current excise tax and new marketing restrictions appear to fail on all counts.

With the new global environment I reiterate the need for the Government to work with the industry to develop policies that would enhance exports, expand farm income and employment, increase excise collection from a larger base, while still reducing overall tobacco consumption.

The Company has been growing in spite of vicissitudes of trials and tribulations. This has been possible on account of its single-minded thrust and focus on dynamism and efficiency.



R.A.SHAH

Chairman

## Chairman's Message



## DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

Your Directors have pleasure in submitting their Annual Report and Accounts of the Company for the year ended 31st March 2003.

### GENERAL ECONOMIC ENVIRONMENT

Against a forecast GDP growth of 6.7%, India achieved a GDP growth of 4.3%. In the first two quarters the growth was 5.3% and 5.2%. The growth slowed dramatically in the third quarter due to the poor monsoon. The rate recovered in the fourth quarter to 4.9% as reported by the National Council of Applied Economic Research.

Agricultural growth as a consequence of the drought recorded one of the sharpest declines over the last 20 years of 3.2%. Industry recovered in 2002-03 and recorded an overall growth of 5.7%, with manufacturing marginally better at 6%. The capital goods and consumer non-durables sectors showed growth of 10.6% and 11.9% respectively. Indian exports grew in all major categories despite the strengthening rupee against the US dollar.

In summary, the Indian economy did reasonably well despite the drought and the uncertainty in global demand due to the Middle East situation and SARS.

Despite this, future growth depends on a growing agricultural sector. Over 70% of India's population reside in rural India. Growth in the rural economy is necessary for price stability as well as the profitability of the manufacturing sector. **It is, therefore, essential to commit and implement a package of reforms in the agriculture sector, along with necessary investments in rural infrastructure.**

### CIGARETTE INDUSTRY IN INDIA AND ITS POTENTIAL

#### Heavily regulated environment

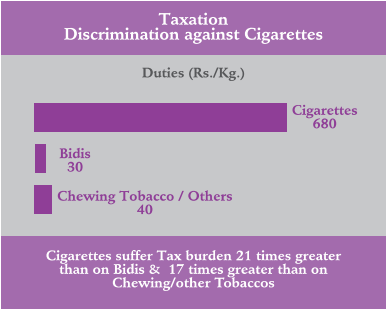
While the overall manufacturing industry is witnessing a reasonable growth of 6%, the domestic cigarette industry operates in an ever increasing regulatory environment that effectively subsidises the non-cigarette tobacco products at the cost of cigarettes. The significant aspect of this regulation is two fold: firstly, discriminatory taxation and secondly, discriminatory advertising and marketing restrictions.

#### Taxation

While cigarettes account for approximately 14% of total tobacco consumption, they account for 85% of total tobacco excise tax revenues. In addition, the cigarette industry is also liable to pay state taxes such as luxury and entry taxes, etc. which equate to approximately 10% of the excise tax. The impact of this effective subsidised taxation on the non-cigarette tobacco products has seen India's consumption of cigarette per capita sinking below Pakistan, Bangladesh and Nepal to one of the lowest in the world. As a consequence, consumption on non-cigarette tobacco products including bidis and chewing tobacco has grown to be the highest in the world!

THE EXTENT OF THE DISCRIMINATORY TAX IS SHOWN IN THE TABLES BELOW.

Clearly the tax policy of placing the majority of the excise burden on cigarettes has not achieved its stated social objective of decreasing tobacco consumption, nor has the Government been able to optimize the revenue collected as a result of the declining tax base. With globalisation of the Indian market, discriminatory taxation will result in an increasing percentage of the tobacco market going to illegal imports. Not only will the taxation policy not dissuade consumption, it will merely downgrade it to non- cigarette products and lead to a loss of tax revenue to the government, loss of tobacco farm income and cigarette manufacturing income and diminish export potential.



Source: The Tobacco Institute of India

A more equitable tax base must be established for all tobacco products, reducing the discriminatory gap between cigarette and non-cigarette tobacco products. The tax base should have no or, at best, moderate increases if the government hopes to achieve its stated social objective and not lose excise revenue to cheap and/or illegal imports.

MARKETING RESTRICTIONS

The recent introduction of the Cigarette and Other Tobacco Products ... Act, 2003 imposing advertising bans, product labeling and other restrictions only on domestic tobacco, further discriminates domestic cigarette brands against imported products. Advertising and promotion of imported brands is seen on cable television in India allowing promotion of their products over domestic cigarette brands.

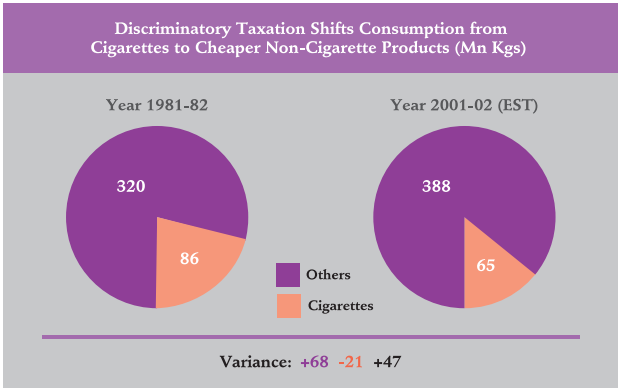
The Act's ban on tobacco sales within 100 yards of educational institutions will cause significant dislocation in the retail and farming sector and result in loss of income given the density of population in India. Of greater concern, it will encourage illegal sales in these areas.

Both the discriminatory taxation and marketing regulations imposed on the domestic cigarette industry will further erode the value of the domestic industry, reduce the government taxation base by encouraging cheaper foreign brands or contraband, reduce tobacco farm income, as more products are supplied from overseas, adding to unemployment. All this without reducing overall tobacco consumption.

RECOMMENDED SOLUTION

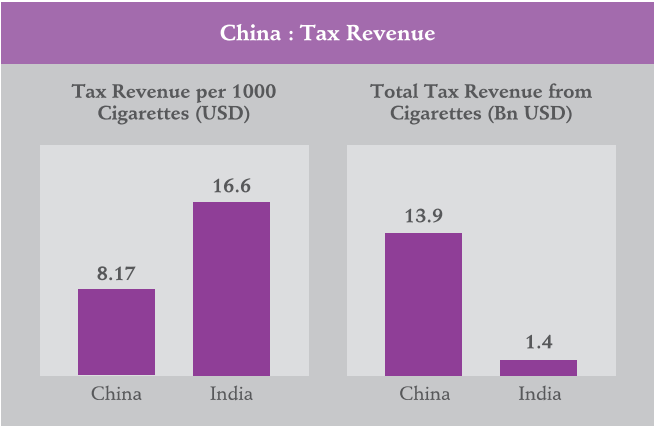
Alternatively, the tobacco industry in India could move from the second largest producer of tobacco to become the worlds largest exporter of tobacco, generating substantial export revenue, quantum increases in farm income and significant employment. This requires a commitment to growing better quality tobacco at higher yields (export quality) as is used in the production of cigarettes, moving away from leaf used in non-cigarette production. This initiative can only be undertaken by the domestic industry if there is a clear government commitment to export growth with the associated more equitable taxation systems allowing the improvement in income to invest in the structural change necessary to achieve this solution.

The graph below shows that a 7-fold increase in export earning can be achieved by obtaining just a 5% share in the world tobacco trade. Continued discrimination against the domestic cigarette industry will result in whatever little share of world tobacco export trade India has (0.7%) moving to our more competitive neighbours, including China.



Source: The Tobacco Institute of India

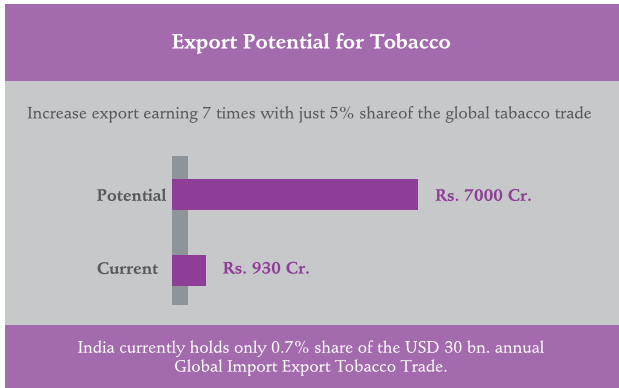
The significance of the impact of the taxation policy on Indian cigarettes is best illustrated when we compare our closest neighbour China and look at its cigarette tax and total tax collection (see the table below):



Source: The Tobacco Institute of India



Our vision is to become a leading tobacco player in India and beyond with a global mindset and the Company stands ready to work with the government to achieve the solution outlined above.



Source: The Tobacco Institute of India

ASSISTANCE TO FARMERS

The Company undertook a number of developmental activities in different tobacco areas to help uplift the farming community by transferring latest farm technology to achieve higher yield per hectare and better produce, enabling them to realise better prices and earnings per hectare. We also helped them introduce an Integrated Pest Management System and supply of pheromone traps, nuclear polyhydro virus solution and neem products to reduce the pesticide residue in tobacco production. We also did trials on production of flavourful tobacco to help farmers produce more exportable tobaccos and realise better profits, with

very promising results. These efforts have been duly recognised by Government scientists and Tobacco Board officials.

PROGRESS IN 2002/03

Not unaccustomed to working in difficult environments, your Company has managed to launch three new brands and grow our market share of the domestic cigarette industry to over 11%. This is a 10+% increase on 2001-02 and was undertaken at a time when the industry had only marginal growth.

This year saw the most significant investment in new and existing brands, including the launch of Piper, Tipper and Prince. Both Piper and Tipper involved new innovations in the Indian market, with Tipper's technology being copied by competitors. Prince was launched in a totally revamped version with improved smoke as well as packaging. New campaigns were undertaken for Four Square and Cavanders brands.

The Company also launched three cigar brands, Phillies, Hav-a-tampa and Don Diego in the domestic market in 2002. These cigars are imported by the Company under an arrangement with Altadis of USA, one of the World's leading cigar manufacturers.

To ensure that these new brands and your Company's existing brands are well presented and accessible to customers, investments have been made in the sales and distribution system resulting in significant increase in retail servicing and brand presence. At the same time, we are investing in building stronger relationships with our trade partners.

A major investment was made in R & D facilities at the Mumbai factory to establish a state-of-the-art facility. Further investments were made in upgrading both the manufacturing facilities. Continued training and the application of the "Kaizen Teian" scheme have again resulted in improvement in overall operating efficiencies and reduction in manufacturing costs. In recognition of these efforts, the Company won the highest award from INSAAN for the sixth successive year.

TEA

The global over supply of tea led to bearish trends in commodity prices for the fourth successive year. These depressed market conditions led to a 9% decline in the domestic packet tea market resulting in its further fragmentation.

To meet these challenges, the Tea business was restructured and overheads reduced. The Company focused on markets which satisfied contribution and profitability objectives, while exiting unviable territories. As a result of this the business achieved positive cash flows by the second half of the financial year. Total segment revenues were Rs. 31 crore for the year.

Good progress was made with opportunities identified in the high value, growth segment of out-of-home beverages. Test marketing of innovative ways of addressing this market are planned during the current financial year.

During the first quarter of the current year your Company has achieved sales of Rs.6.3 crore against Rs. 7.2 crore in the corresponding period last year. The sales decline is mainly due to exiting low profitability areas in the domestic market and lower exports. Domestic marginal contribution has been increased by around 2% over the corresponding period.

## EXPORTS

During the year the FOB value of the export of the Company including tobacco, cigarettes and tea were significantly higher at Rs. 52.47 crore as against Rs. 10.99 crore in the previous year. The cigarette exports increased from Rs. 2.4 crore in the previous year to Rs. 19.2 crore during the year under report. During the first four months of the current year the Company has exported cigarettes worth Rs. 11 crore.

## FINANCIAL PERFORMANCE

During the year under report the cigarettes sales volume rose to 10593 million cigarettes as against 8854 million cigarettes in the previous year, recording an increase of 19.64%. The sales turnover was also higher at Rs. 1077 crore as against Rs. 945 crore in the previous year, registering an increase of 14%. The Company continued to make major investments in improving the equity of its existing brands in a highly competitive environment. The focus on development of innovative products and investments made therein have helped the Company in introduction of two unique products for the first time in the Industry under the brand names Piper and Tipper. The latter has become an instant success and a trendsetter in the Industry. All these efforts have helped the Company improve its overall performance. In June 2003, your Company launched yet another brand, Jaisalmer, in the North in the premium king size segment.

The profit before taxation and exceptional item was higher at Rs. 79.60 crore as against Rs. 71.84 crore in the previous year. However, after providing for the taxation and after considering exceptional expense on account of Assam dues becoming doubtful of recovery due to the retrospective amendment made in the Finance Act 2003, as further explained hereunder, the net profit of the Company was lower at Rs. 37.91 crore as against Rs. 47.80 crore in the previous year.

## DIVIDEND

Keeping in view the overall performance and optimistic outlook for the future, the Board of Directors of the Company are pleased to recommend a dividend of Rs. 17 per share which, together with dividend tax, works out to Rs. 19.20 per share as against Rs. 18.50 per share paid out in the previous year. This is despite the lower net profit for the year due to provision for a substantial amount on account of an exceptional item.

## ASSAM DUES

As stated in earlier years, the Company entered into contracts in March 2000 with some manufacturing units in Assam for purchase of certain quantities of cigarettes at economical prices, on account of these units enjoying exemption from payment of excise duty in pursuance of an exemption notification issued by the Central Government earlier. The Government withdrew the exemption in January 2001 and, thereafter, these units closed down operations. However, there was a net outstanding amount of Rs. 22.70 crore recoverable as on 31 March, 2003 from these units against the amount of advances given to them by the Company from time to time for making deposits with excise authorities, which under the said arrangements, they were to return to the Company on receipt of the refund of such deposits from the excise department. The Government has, however, withheld some of the refunds of excise duty due to such units pursuant to the said exemption notification.

The said manufacturing units had moved the Guwahati High Court against the unfair and illegal action on the part of the excise department. The Court passed an order on 17 May, 2002 directing the excise department to grant refunds to these units. The excise department had then moved the appellate bench of the High Court by way of an appeal. The Division Bench of Guwahati High Court dismissed the appeal of the central excise department on 4 April, 2003 and directed the department to refund the amounts within 30 days of the judgement. However, the Finance Bill, 2003 proposed a retrospective amendment to the Notification, which sought to provide for the denial of refunds in terms of the Notification from the date of its issue, i.e. 8 July, 1999. Consequently, the refunds earlier granted to the Assam Units were also to be refunded back to the Government within 30 days of the passing of the Finance Bill, which became an Act after passage by the Parliament and assent by the President on 14 May, 2003.

Notwithstanding the directions of the Division Bench of the Guwahati High Court, armed with the provisions contained in the Finance Act 2003, the department initiated action by issue of orders for recovery of the past refunds from the Assam Units and rejected all the pending claims. The Assam Units, therefore, sought the protection of the Guwahati High Court by moving a Writ Petition challenging the provisions of the Finance Act as being bad in law.

FINANCIAL RESULTS	2002-2003 Rs. in lac	2001-2002 Rs. in lac
Gross Profit	<b>8873.49</b>	7995.12
Less : Depreciation	<b>913.01</b>	811.28
Provision for Taxation-current	<b>2918.00</b>	2466.00
- deferred	<b>(1018.22)</b>	(61.71)
	-----	-----
Profit after tax for the year	<b>6060.70</b>	4779.55
Exceptional item		
(Refer note 15 to accounts)	<b>2270.09</b>	--
	-----	-----
	<b>3790.61</b>	4779.55
Profit Brought Forward	<b>16233.07</b>	14377.30
	-----	-----
	<b>20023.68</b>	19156.85
	-----	-----
<b>Appropriations</b>		
Proposed Dividend	<b>1767.80</b>	1923.78
Corporate Dividend Tax	<b>226.50</b>	--
Transfer to General Reserve	<b>1100.00</b>	1000.00
Surplus carried to Balance Sheet	<b>16929.38</b>	16233.07
	-----	-----
	<b>20023.68</b>	19156.85

The said petitions have been admitted and the Court was pleased to grant a stay on recovery of the past refunds. The said stay is now listed for final hearing on 17th September, 2003.

Based on the legal opinion received from eminent counsels, your Directors feel confident that the benefit of the Notification cannot be legally denied consequent upon amendment thereto by the Finance Act, 2003. However, as a measure of prudence the said amounts aggregating to Rs. 22.70 crore recoverable from the said units have been provided for in these accounts.

#### INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Your Company has an adequate system of internal control commensurate with the size of the Company and the nature of its business which ensures that transactions are recorded, authorised and reported correctly apart from safeguarding its assets against loss from wastage, unauthorised use and disposition.

The internal control system is supplemented by well documented policies, guidelines and procedures, an extensive programme of internal audit by a firm of chartered accountants and management reviews.

#### HUMAN RESOURCE AND CORPORATE DEVELOPMENT

The Human Resources Department has continued the work of implementing the necessary changes to bring company systems in line with the top FMCG companies in India. Following detailed employee surveys and an external review of your company's HR processes, all recommended policies are in the process of implementation including a transparent appraisal system, a consolidation or rationalisation of reporting levels and grades, new job evaluation and competency models.

To ensure that the Company's vision and values are understood and implemented, top management teams have been appointed to monitor progress. The number of training days per employee has more than doubled over the previous year and, after a gap of many years, it took 13 post graduates from a university recruiting campaign. All are still with the Company and enjoying the experience. Overall employee turnover is down, reflecting the improvement brought about by the investment in HR.

The Company has continued the participative management practices and extended the Kaizen Teian scheme beyond the manufacturing operations of the Company. 2003-04 marks the tenth year of the Kaizen Teian scheme for the Company.

Total manpower in the Company, including its wholly owned subsidiary, International Tobacco Company Limited, as on 31<sup>st</sup> March 2003 was up by 22 at 1376 compared with the total strength of 1354 at the beginning of the year.

#### "P1+" RATING

The Company continues to enjoy the top rating of P1+ for an amount of Rs. 35 crore from the Credit Rating Information Services of India Limited (CRISIL) in respect of its Commercial Paper programme. The Company has not been issuing Commercial Paper for quite sometime as it is able to raise funds through short term loans/FCNRB loans at lower cost.

#### CONSERVATION OF ENERGY

During the year under report, the measures initiated/implemented by the Company for conservation of energy included the following main items :

1. Reduced the loading and unloading pressure setting of air compressor up to optimum limits.
2. Enthalpy Control System installed for central air conditioning.
3. Automatic control of cooling tower fan.
4. Switching off the air washer pumps of Air Handling Unit and Humidifier & Ventilation plants by continuously maintaining humidity.
5. Rationalised the use of airconditioning system in the factory in a manner to reduce the total tonnage of the plant without curtailing its use or availability.
6. Individual lighting switches were provided for better control of lighting on/off at main factory office.

These measures have resulted in saving in electricity consumption by 130 units per million cigarettes produced compared to 2001-02.

#### RESEARCH AND DEVELOPMENT

New Developments :

1. Smoke quality improvement of the cut rolled stem.

2. Development of low tar/nicotine cigarettes.

Improvement as a result of these developments :

1. Improvement in blend/taste of existing cigarettes.
2. Improvement in smoke consistency of all brands of cigarettes.

## TECHNOLOGICAL ABSORPTION, ADOPTION AND INNOVATION

The measures initiated/implemented are :

1. Commissioning of Cigarette Inspection Device on makers which has improved the quality of cigarettes.
2. Successful commercial production of innovative Piper and Tipper cigarette packs.
3. Commissioning of Coupon feed facility on all packers.
4. Date code printing by Ink Jet Printers on all Hinge Lid packers.
5. Autocontrol in Cut Tobacco Store/Dry Room's relative humidity giving guarantee of product quality in 'In Process Material'.

## FOREIGN EXCHANGE EARNINGS AND OUTGO

The earnings in foreign exchange during the year under report by way of exports and other income amounted to Rs. 53.26 crore (previous year Rs. 11.68 crore) as against the foreign exchange outgo on imports, dividends and other expenditure aggregating to Rs. 40.05 crore (previous year Rs. 26.14 crore).

## FIXED DEPOSITS

At the end of the financial year, the balance on account of Fixed Deposits accepted from the Public and Members stood at Rs. 4,29,32,000, which included 69 deposits totaling Rs. 6,85,000 not claimed on due dates. Out of these, 24 deposits for an aggregate amount of Rs. 2,65,000 have since been repaid or renewed at the option of the depositors leaving a balance of Rs. 4,20,000 for completion of formalities.

Presently the Company is neither accepting fresh deposits nor renewing the existing ones as it is no longer economical for the Company to raise money through this mode of finance.

## DIRECTORS

Mr. R.A. Shah, Mr. S.V. Shanbhag and Mr. C.M. Maniar, Directors, will retire by rotation at the forthcoming Annual General Meeting and, being eligible, have offered themselves for re-election.

The three year term of Mr. K.K. Modi as Managing Director shall expire on the date of the ensuing Annual General Meeting. A resolution for his re-appointment for further period of three years is being put up for your consideration at the forthcoming Annual General Meeting.

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibilities Statement, it is hereby confirmed :

- (i) that in the preparation of the Annual Accounts for the financial year ended 31<sup>st</sup> March, 2003, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;
- (ii) that the directors had selected such Accounting Policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review;
- (iii) that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the directors had prepared the accounts for the financial year ended 31<sup>st</sup> March, 2003 on a 'going concern' basis.

## CORPORATE GOVERNANCE

The Company is committed to maximise the value of its stakeholders by adopting the principles of good Corporate Governance in line with the provisions stipulated in the Listing Agreement. It encourages wide participation from all stakeholders. Its objective and that of its management and employees is to manufacture and market the Company's



products in a way as to create value that can be sustained over the long term for consumers, shareholders, employees, business partners and the national economy in general. A certificate from the auditors of your company regarding compliance of the conditions of Corporate Governance as stipulated in clause 49 of the Listing Agreement with stock exchanges, is enclosed.

## CONSOLIDATED FINANCIAL STATEMENTS

In accordance with Accounting Standard 21 - Consolidated Financial Statements, form part of this Report & Accounts. These Group accounts have been prepared on the basis of audited financial statements received from Subsidiary Companies, as approved by their respective Boards.

## AUDITORS

A.F. Ferguson & Co., Chartered Accountants, the retiring Auditors, have offered themselves for re-appointment as Auditors for the Head Office as well as branch offices at Ahmedabad, Mumbai, Kolkata, Ghaziabad, Guntur, Hyderabad, New Delhi and Chandigarh.

## SUBSIDIARY COMPANIES

The Reports and Accounts of the subsidiary companies are annexed to this Report along with the statement pursuant to Section 212 of the Companies Act, 1956. However, in the context of mandatory requirement to present consolidated accounts, which provides members with a consolidated position of the Company including subsidiaries, at the first instance, members are being provided with the Report and Accounts of the Company treating these as abridged accounts as contemplated by Section 219 of the Companies Act, 1956. Members desirous of receiving the full Report and Accounts including the Report and Accounts of the subsidiaries will be provided the same on receipt of a written request from them. This will help save considerable cost in connection with printing and mailing of the Report and Accounts.

## GENERAL

As required by the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of employees are set out in the annexure to the Directors' Report. However, as per the provisions of Section 219 (1) (b) (iv) of the Act, the annual report and accounts are being sent to all shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Company Secretary.

## EMPLOYEES

The relations with the employees of the Company continue to be cordial and the Directors wish to record their appreciation of their dedicated services at all levels of operations in the Company.

Respectfully submitted  
on behalf of the Board

Mumbai  
Dated : August 11, 2003



R.A. SHAH  
CHAIRMAN

# GODFREY PHILLIPS INDIA LIMITED

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## BOARD OF DIRECTORS

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R.A. Shah - Chairman  
K.K. Modi - President  
Lalit Kumar Modi - Executive Director  
Samir Kumar Modi - Executive Director  
Lalit Bhasin  
Anup N. Kothari  
C.M. Maniar  
O. P. Vaish  
S.V. Shanbhag - Whole-time Director

## BANKERS

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State Bank of India  
Bank of Baroda  
Bank of India  
Citibank N.A.  
State Bank of Hyderabad  
State Bank of Travancore  
The Hongkong and Shanghai  
Banking Corporation  
Union Bank of India

## COMPANY SECRETARY

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R. Joshi

## REGISTRARS AND TRANSFER AGENT

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Sharepro Services  
Satam Estate, 3rd Floor  
(above Bank of Baroda),  
Cardinal Gracious Road,  
Chakala, Andheri(E),  
Mumbai - 400099.

## AUDITORS

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A. F. Ferguson & Co.

## CORPORATE OFFICE

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Four Square House,  
49, Community Centre,  
Friends Colony,  
New Delhi - 110065

## INTERNAL AUDITORS

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Lodha & Co.

## OTHER OFFICES

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Ahmedabad, Chandigarh,  
Ghaziabad, Hyderabad, Kolkata,  
Mumbai, New Delhi

## SOLICITORS

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Crawford Bayley & Co.

## LEAF DIVISION

---

Guntur (Andhra Pradesh)

## REGISTERED OFFICE

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Chakala, Andheri (E), Mumbai - 400 099

# GODFREY PHILLIPS INDIA LIMITED

## REPORT ON CORPORATE GOVERNANCE FOR THE YEAR ENDED MARCH 31, 2003

The Directors present the Company's Report on Corporate Governance.

### 1. THE COMPANY'S GOVERNANCE PHILOSOPHY

GPI's Corporate Governance initiatives are devised for achieving basic objective of wealth creation for the benefit of all its stakeholders namely the shareholders, employees, business associates and the society at large. The Company believes in giving its executives ample freedom to operate and secure the Company's target by putting in best of their efforts.

The Board of Directors is primarily responsible for protecting and enhancing shareholders' values besides fulfilling the Company's obligations towards other stakeholders. The role of the Board of Directors is to provide strategic superintendence over the Company's management. The day to day management of the Company is vested in the managerial personnel and sufficient authority is delegated at different operating levels. Delegation of authority in the operating people helps generation of creativity and innovation. This also helps in harnessing potential of employees to the best advantage of the Company.

### 2. BOARD OF DIRECTORS

#### i) Composition

The Board of Directors of the Company consists of executive and non-executive directors and more than half of the Board comprises of non-executive directors. The non-executive directors are independent professionals drawn from amongst persons with experience in business /law/finance. At present the total strength of the Board of Directors is nine out of which five are non-executive Directors. The Chairman of the Board is a non-executive director and the minimum requirement of one-third of the Board consists of independent directors is duly complied with.

#### ii) Attendance at the Board Meetings and the last Annual General Meeting, directorships and memberships/chairmanships of Board Committees of other Companies

Director	Executive/ Non-Executive Independent	No. of Board Meetings attended	Attendance at last AGM	Membership of Board of other Companies *	Membership/ chairmanship of other Board Committees #
Mr. R.A. Shah	Non-Executive & Independent	7	Yes	14	8 (includes 4 as Chairmanships)
Mr.K.K. Modi	Executive	6	Yes	11	2 (includes 1 as Chairmanship)
Mr. S.V. Shanbhag	Executive	7	Yes	5	None
Mr. Lalit Bhasin	Non-Executive & Independent	7	Yes	6	8 (includes 3 as Chairmanships)
Mr. Anup N. Kothari	Non-Executive & Independent	6	Yes	2	None
Mr. Lalit Kumar Modi	Executive	3	Yes	9	None
Mr. C.M. Maniar	Non-Executive & Independent	5	Yes	11	9 (includes 1 as Chairmanship)
Mr. O.P. Vaish	Non-Executive & Independent	6	Yes	7	3
Mr. Samir Kumar Modi	Executive	5	Yes	9	1

\* Excludes directorships in private limited companies, alternate directorships and also memberships of Managing Committees of various chambers/bodies.

# Represents memberships/chairmanships of Audit Committee, Shareholders/Investors Grievances Committee and Remuneration Committee (excluding private companies).

#### iii) Board Meetings held during the year

During the year 2002-03, seven Board Meetings were held on the following dates:

April 27, 2002, June 26, 2002, July 31, 2002, August 22, 2002, September 24, 2002, October 31, 2002 and February 4, 2003.

In addition to the regular business items, most of the other statutory items as recommended by the SEBI committee on Corporate Governance were placed before the Board.

#### iv) The details of pecuniary relationship or transactions of the non-executive directors vis-a-vis the Company are given below:

Name of the director	Amount involved (Rs. in lacs)	Nature of transaction
1 Mr. R.A. Shah & Mr. C.M. Maniar (Senior Partners of Crawford Bayley & Co.)	8.65	Payment for professional services
2 Mr. Lalit Bhasin (Proprietor of Bhasin & Co.)	3.57	Payment for professional services

# GODFREY PHILLIPS INDIA LIMITED

## v) Brief resume, experience and other directorships/board committee memberships

As per the Articles of Association of the Company, one-third of the total strength of the Board (i.e. three directors at present namely Mr. R.A. Shah, Mr. S.V. Shanbhag and Mr. C.M. Maniar shall retire by rotation at the forthcoming Annual General Meeting of the Company and being eligible shall be re-appointed subject to shareholders approval.

Name of the director	Qualifications	Experience	Names of other companies in which he holds directorships of the Board and membership/ chairmanship of committees of the Board
1. Mr. R.A. Shah	—	<ul style="list-style-type: none"> <li>- He is a Solicitor and Senior Partner of Messrs Crawford Bayley &amp; Co.</li> <li>- Specialises in a broad spectrum of Corporate Laws in general with special focus on Foreign Investments, Joint Ventures Technology and Licence Agreement, Intellectual Property Rights, Mergers and Acquisitions, Industrial Licensing, Anti Trust Laws, Company Law and Taxation.</li> <li>- Member of the Managing Committee of Bombay Chamber of Commerce.</li> <li>- Member of Indo German Chamber of Commerce.</li> <li>- Member of the Committee for revision of SEBI Takeover Code.</li> <li>- President of Society of Indian Law firms (Western Region).</li> </ul>	<ol style="list-style-type: none"> <li>1. Pfizer Limited (Also Chairman of Audit Committee).</li> <li>2. Colgate Palmolive India Limited. (Also Chairman of Audit Committee).</li> <li>3. Asian Paints (India) Limited.</li> <li>4. Atul Limited</li> <li>5. The Bombay Dyeing &amp; Mfg. Company Limited. (Also Chairman of Audit committee)</li> <li>6. BASF India Limited (Also a Member of Audit Committee)</li> <li>7. Colour Chem Limited. (Also a Member of Audit Committee)</li> <li>8. Deepak Fertilisers &amp; Petrochemicals Corporation Limited.</li> <li>9. Abbott India Limited (Also a Member of Audit Committee)</li> <li>10. Procter &amp; Gamble Hygiene and Healthcare Limited. (Also a Member of Audit Committee)</li> <li>11. Nicholas Piramal India Limited (Also Chairman of Audit Committee)</li> <li>12. Philips India Limited</li> <li>13. Prudential ICICI Trust Limited</li> <li>14. Clariant India Limited</li> </ol>
2. Mr. S.V. Shanbhag	M.Com., LL.B., ACS	<ul style="list-style-type: none"> <li>- Worked for 2 years in M/s. A.F. Fergusson &amp; Co. Chartered Accountants.</li> <li>- Joined the Company in 1949 and has considerable experience in the field of Finance, Accounts, Legal &amp; Secretarial matters.</li> <li>- Appointed as Company Secretary in the year 1963.</li> <li>- Since 1983 he has been working as Wholetime Director.</li> </ul>	<ol style="list-style-type: none"> <li>1. International Tobacco Company Limited</li> <li>2. Kamanwala Industries Limited</li> <li>3. City Leasing and Finance Limited</li> <li>4. Chase Investments Limited</li> <li>5. Manhattan Credits and Finance Limited</li> </ol>
3. Mr. C.M. Maniar	B.Com, M.A. (Eco.& Politics) & LL.B. Solicitor.	<ul style="list-style-type: none"> <li>- Presently acting as a Partner in Crawford Bayley &amp; Co., Solicitors &amp; Advocates Mumbai since 1976.</li> <li>- Member of the Maharashtra Bar Council</li> </ul>	<ol style="list-style-type: none"> <li>1. Foods &amp; Inns Limited</li> <li>2. Gujarat Ambuja Exports Limited (Also a Member of Audit Committee)</li> <li>3. Hindalco Industries Limited (Also a Member of Audit Committee and Shareholders/Investors Grievance Committee)</li> <li>4. Indian Card Clothing Company Limited</li> </ol>



# GODFREY PHILLIPS INDIA LIMITED

		<ul style="list-style-type: none"> <li>- Specialises in Corporate and Commercial Laws with special reference to Company Law, Foreign Financial &amp; Technical Collaborations, Anti Trust and Competition Laws, Foreign Exchange Laws, Consumer Protection, Drugs &amp; Cosmetics and Insecticides, Intellectual and Industrial Property Laws- Trade Marks, Patents, Designs and Copyright and drafting of documentation generally.</li> <li>- Participated in and read papers on different subjects relating to the above laws at conferences and seminars organized by various institutions, such as the Institute of Secretaries, Institute of Chartered Accountants, The Bombay Chartered Accountants Society, The Bombay Chamber of Commerce, etc.</li> </ul>	5. Machine Tools (India) Limited (Also a Member of Audit Committee) 6. Mafatlal Dyes & Chemicals Limited 7. Pennzoil- Quaker State India Limited 8. Pioneer Investcorp Limited (Also a Member of Audit Committee and Shareholders/Investors Grievance Committee) 9. Sudal Industries Limited 10. Twenty- First Century Printers Limited (Also a Member of Audit Committee) 11. Varun Shipping Company Limited (Also Chairman of Shareholders/Investors Grievance Committee and a Member of Audit Committee.)
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## 3. AUDIT COMMITTEE

### i) Composition and terms of reference

The Board of Directors of the Company at their meeting held on January 31, 2001 constituted an Audit Committee comprising of three non-executive independent directors namely Mr.O.P.Vaish, Mr. Anup N. Kothari and Mr. Lalit Bhasin, in pursuance of the provisions of Section 292A of the Companies Act, 1956. Subsequently the Board at their meeting held on April 18, 2001 revised the terms of reference of the Audit Committee so as to cover all the areas specified in Section 292A of the Companies Act, 1956 as well as those specified in clause 49 of the Listing Agreement. Mr. O.P. Vaish who has financial and accounting knowledge, is the Chairman of the Audit Committee. Mr. R. Joshi, Company Secretary acts as the Secretary to the Committee.

The Chairman attended the Annual General Meeting held on September 24, 2002 to answer the shareholder's queries.

The terms of reference of the audit committee are in accordance with clause 49 of the listing agreement entered into with the stock exchanges, and provisions of Section 292A of the Companies Act, 1956 and inter-alia include overseeing financial reporting process, reviewing disclosures and the financial statements before submission to the Board, reviewing internal control systems and internal audit functions etc.

Audit Committee meetings are attended by members of Audit Committee. Managing Director also being director in charge of finance, Director -Finance, Company Secretary, Internal Auditors and the Statutory Auditors attend the meetings on the invitation of the Company.

### ii) Details of meetings and attendance of each member of the Committee

During the financial year 2002-03, the Audit Committee met three times on August 22, 2002, October 31st, 2002 and March 21, 2003.

Sl. No.	Name	Category of directors	No. of Committee Meetings attended (Total Meetings held 3)
1	Mr. O.P. Vaish	Non-Executive & Independent	3
2	Mr. Lalit Bhasin	Non-Executive & Independent	2
3	Mr. Anup N. Kothari	Non-Executive & Independent	3

## 4. REMUNERATION TO DIRECTORS

### i) Remuneration policy

The Company has not constituted any Remuneration Committee. The remuneration to be paid to the Managing/ Executive/ Whole-time Directors is decided by the Board and recommended for approval by the shareholders at the Annual General Meeting. The non-executive directors do not draw any remuneration from the Company except the sitting fee of Rs. 5000 (as decided by the Board of Directors) for each meeting of the Board and the Board Committee attended by them.

# GODFREY PHILLIPS INDIA LIMITED

## ii) Details of remuneration to the directors

(Amount in Rs.)

Name of the Director	Salary and other allowances	Perquisites	Commission	Sitting Fees Board/ Committee Meetings	Total
Mr. R.A. Shah	Nil	Nil	Nil	35,000	35,000
Mr. K.K. Modi <sup>1</sup>	6,000,000	Nil	4,000,000	Nil	10,000,000
Mr.S.V. Shanbhag <sup>2</sup>	312,000	68,262	Nil	Nil	380,262
Mr. Lalit Bhasin	Nil	Nil	Nil	45,000	45,000
Mr. Anup N. Kothari	Nil	Nil	Nil	45,000	45,000
Mr. Lalit Kumar Modi <sup>3</sup>	600,000	449,512	600,000	Nil	1,649,512
Mr. C.M. Maniar	Nil	Nil	Nil	25,000	25,000
Mr. O.P. Vaish	Nil	Nil	Nil	45,000	45,000
Mr. Samir Kumar Modi <sup>4</sup>	672,000	144,508	420,000	Nil.	1,236,508
Total	7,584,000	662,282	5,020,000	195,000	13,461,282

## iii) Details of service contract, notice period, severance fees etc. of directors

<sup>1</sup>The Company has service contract with Mr.K.K. Modi, Managing Director for a period of three years with effect from August 14, 2000 which has been extended for a further period of three years with effect from August 14, 2003, subject to approval by the shareholders at the forthcoming Annual General Meeting. The notice period is six calendar months by either party. No severance fees is payable to him.

<sup>2</sup>The Company has service contract with Mr.S.V. Shanbhag, Whole-time Director for a period of three years with effect from October 1, 2001. The notice period is three months by either party. However, the Company has the right to terminate appointment forthwith upon payment of three months salary only in lieu of notice and in that case he is not entitled to any benefits or perquisites.

<sup>3</sup>The Company has service contract with Mr.L.K. Modi, Executive Director for the period from September 24, 2002 till the Annual General Meeting to be held for the approval of the audited accounts for the financial year ended March 31, 2005. The notice period is six calendar months by either party. No severance fees is payable to him.

<sup>4</sup>The Company has service contract with Mr.Samir Kumar Modi, Executive Director for the period from September 24, 2002 to the date of the Annual General Meeting of the Company to be held for the approval of the audited accounts for the financial year ended March 31, 2005. The notice period is six calendar months by either party. No severance fees is payable to him.

The Company presently does not have any stock option scheme.

## 5. SHARE TRANSFER AND SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

The Company had a Share Transfer Committee which was constituted on December 7, 1979.

The Board of the Directors of Company at their meeting held on January 28, 2002 re-constituted the Share Transfer Committee and renamed it as 'Share Transfer and Shareholders/Investors Grievance Committee' headed by Mr. R.A. Shah a non-executive director as its Chairman. Mr. K.K. Modi & Mr. S.V. Shanbhag executive directors and Mr. Lalit Bhasin & Mr.C.M. Maniar non-executive directors being its members. Mr. R.A. Shah, however, resigned from the chairmanship/membership of this committee by a communication received by the Company after close of the financial year 2001-02. Mr. C.M. Maniar was appointed as the Chairman in his place in the Board Meeting held on August 22, 2002. The re-constituted committee besides sanctioning share transfers/transmissions and other related matters, is also required to look into the redressal of shareholders' and other investors' complaints regarding transfer of shares, non-receipt of balance sheets and dividends etc. Mr. R. Joshi, Company Secretary has been appointed as the Compliance Officer.

During the Financial year 2002-03, 94 complaints were received from the shareholders/investors and same were solved to the satisfaction of the shareholders/investors.

## 6. GENERAL BODY MEETINGS

Details of the last three Annual General Meetings(AGM) are as follows:

Financial year	Date of AGM	Time	Location
1999-00	September 30, 2000	11:00 a.m.	Y.B. Chavan Auditorium General Jagannath Bhosle Marg Mumbai - 400021
2000-01	September 27, 2001	11:00 a.m.	-do-
2001-02	September 24, 2002	11:00 a.m.	-do-

There was no other General Body Meeting in the last three years.

No special resolutions was put through postal ballot during last year and no special resolution for current year is proposed to be conducted through postal ballot.

## 7. DISCLOSURES

- Related parties and transactions with them as required under Accounting Standard 18 (AS-18) are stated in paragraph 12 of the Notes to the Accounts attached with the financial statements for the year ended March 31, 2003. The said transactions have no potential conflict with the interests of the Company at large.
- There has neither been any non-compliance by the Company of any legal provision of applicable law nor any penalties, strictures imposed on the Company by the stock exchanges, SEBI or any other statutory authorities, on any matter related to capital markets during the last three years.

# GODFREY PHILLIPS INDIA LIMITED

## 8. MEANS OF COMMUNICATION

The quarterly, half yearly and annual results are generally published by the Company in all editions of Economic Times (English) and in Maharashtra Times (Marathi). The quarterly and yearly results are also available on the Company's website : [www.godfreyphillips.com](http://www.godfreyphillips.com) as well as on Mumbai and National Stock Exchange website: [www.bseindia.com](http://www.bseindia.com) & [www.nseindia.com](http://www.nseindia.com). The half-yearly reports are not sent to household of shareholders. During the year, the Company had no occasion to make any official news releases and no formal presentations were made to the institutional investors/analysts.

The Management Discussion and Analysis Report forms a part of the Directors' Report.

## 9. GENERAL SHAREHOLDER INFORMATION

### i) Annual General Meeting

**Date and Time** : September 26, 2003 at 4.00 P.M.  
**Venue** : Y.B Chavan Auditorium, General Jagannath Bhosle Marg, Mumbai-400021

### ii) Financial Calendar for 2003-04

First Quarter Results : July 2003  
 Second Quarter Results : October 2003  
 Third Quarter Results : January 2004  
 Fourth Quarter Results : April 2004

### iii) Date of Book Closure

: September 23, 2003 to September 26, 2003 (both days inclusive)

### iv) Dividend Payment Date

: Dividend payments shall be made on or after October 3, 2003 to those shareholders whose names shall appear on the Members' Register as on September 26, 2003.

### v) Listing on the Stock Exchange:

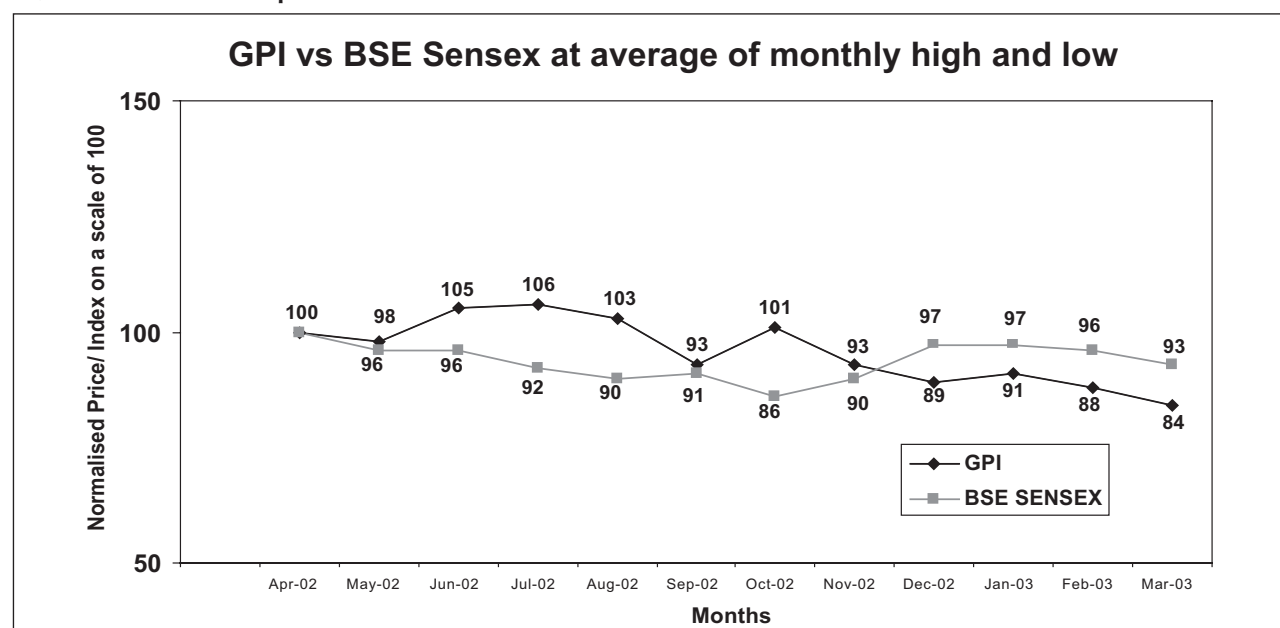
The Company's shares are listed on National Stock Exchange (Stock Code GODFRYPHLP), Mumbai Stock Exchange (Stock Code 500163) and the Calcutta Stock Exchange (Stock Code 1001735 for shares in Demat form and 17335 for physical form.)

### vi) Market Price Data of equity shares in the Company

High, Low during each month in the financial year 2002-03, on The Mumbai Stock Exchange

Month	High (Rs.)	Low (Rs.)
April 2002	390.00	340.00
May 2002	397.00	320.00
June 2002	395.00	369.00
July 2002	420.00	350.00
August 2002	410.00	340.00
September 2002	371.00	310.00
October 2002	415.00	320.00
November 2002	360.00	318.50
December 2002	350.00	300.00
January 2003	343.25	318.50
February 2003	334.90	310.00
March 2003	329.00	286.00

### vii) Performance in comparison to BSE Sensex



# GODFREY PHILLIPS INDIA LIMITED

## viii) Registrar and Share Transfer Agent

Sharepro Services  
Satam Estate  
3rd Floor, Above Bank of Baroda  
Cardinal Gracious Road, Chakala  
Andheri (East), Mumbai-400099

## ix) Share Transfer System

The Company's share transfers and related operations are handled by Sharepro Services, Registrars and Transfer Agent (RTA) which is registered with the SEBI as a Category 1 registrar.

The shares for transfers received in physical mode by the Company/RTA, are transferred expeditiously and thereafter option letter for simultaneous dematerialisation of shares are sent within 15 days from the date of receipt, provided the documents are complete and shares under transfer are not under dispute. The share certificates duly endorsed are returned immediately to those who do not opt for simultaneous transfer cum dematerialisation. Confirmation in respect of the request for dematerialisation of shares is sent to the respective depositories NSDL/CDSL within 15 days.

## x) Distribution of shareholding as on March 31, 2003

Number of equity share holdings	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of shares
1-50	4,523	34.61	89,639	0.86
51-100	3,118	23.86	288,924	2.78
101-500	4,928	37.71	1,036,983	9.97
501-1000	287	2.20	200,831	1.93
1001-5000	141	1.08	283,064	2.72
5001-10000	18	0.14	139,863	1.34
10001 & Above	53	0.41	8,359,480	80.39
<b>TOTAL</b>	<b>13,068</b>	<b>100.00</b>	<b>10,398,784</b>	<b>100.00</b>

## xi) Category of Shareholding as on March 31, 2003

Sl. No.	Category of share holders	No. of shares held	Percentage of Shareholding
<b>A</b>	<b>Promoter's Holding</b>		
1	Promoters		
	Indian Promoters	3,771,244	36.27
	Foreign Promoters	3,736,704	35.93
2	Person's acting in concert	NIL	NIL
	<b>Sub Total</b>	<b>7,507,948</b>	<b>72.20</b>
<b>B</b>	<b>Non-Promoter's Holding</b>		
3	Institutional Investors		
A	Mutual Fund	1,125	0.01
	UTI	100	0.00
B	Banks	18,659	0.18
	Insurance Companies	45,467	0.44
	State Government	4,800	0.05
	State Financial Corp.	2,400	0.02
	FII's	387,732	3.73
	<b>Sub Total</b>	<b>460,283</b>	<b>4.43</b>
4	Others		
A	Private Corporate Bodies	239,167	2.30
B	Indian Public	2,062,990	19.84
C	NRIs/OCBs	119,806	1.15
D	Director's & Relatives	8,590	0.08
	<b>Sub Total</b>	<b>2,430,553</b>	<b>23.37</b>
	<b>Grand Total</b>	<b>10,398,784</b>	<b>100.00</b>

## xii) Dematerialisation of shares

The shares of the Company are compulsorily traded in the dematerialised form and are available for trading under both the Depository Systems- NSDL (National Securities Depository Ltd.) and CDSL (Central Depository Services (India) Ltd). As on March 31, 2003, a total of 3,535,142 equity shares of the Company, which forms 34% of the share capital, stands dematerialised.

# GODFREY PHILLIPS INDIA LIMITED

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Under the Depository System, the International Securities Identification Number (ISIN) allotted to the Company's equity shares is INE260B01010.

**xiii) Outstanding GDRs/ADRs/Warrants or any Convertible Instruments**

The Company has no outstanding GDRs/ADRs/Warrants or any convertible instruments.

**xiv) Plant Locations**

The Company's plant is situated at Andheri(Mumbai) and the other one owned by the Company's wholly owned subsidiary, International Tobacco Company Limited, is located at Guldhar (Ghaziabad).

<b>Andheri Plant</b>	: <b>V.K.K. Menon Road (Sahar Road), Chakala, Andheri (East), Mumbai-400099</b>
<b>Guldhar (Ghaziabad Plant)</b>	: <b>International Tobacco Company Ltd. Delhi- Meerut Road Guldhar, Ghaziabad</b>

**Address for Correspondence**

Shareholders should address all their correspondence concerning shares to the Company's Registrars and Share Transfer Agent, Sharepro Services at the address mentioned above or at:

Sharepro Services  
2, Raheja Centre,  
Free Press Journal Road  
Nariman Point, Mumbai- 400021

**10. NON- MANDATORY CLAUSES**

The Company has not adopted any of the non-mandatory requirements as mentioned in annexure 3 of clause 49 of the Listing Agreement.

For and on behalf of the Board

Place : Mumbai  
Date : 11th August, 2003

R.A. SHAH  
Chairman

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## CERTIFICATE

### To the Members of Godfrey Phillips India Limited

We have examined the compliance of conditions of Corporate Governance by Godfrey Phillips India Limited for the year ended March 31, 2003, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that in respect of investor grievances received during the year ended March 31, 2003, no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For A.F. FERGUSON & CO.  
Chartered Accountants

Place: New Delhi  
Date: 11th August, 2003.

J.M.SETH  
Partner



# GODFREY PHILLIPS INDIA LIMITED

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## Auditors' Report to the Members of Godfrey Phillips India Limited

1. We have audited the attached balance sheet of Godfrey Phillips India Limited as at March 31, 2003 and also the profit and loss account and the cash flow statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above:
  - (i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (iii) the balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
  - (iv) in our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the requirements of the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - (v) on the basis of the written representations received from the directors, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2003 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
  - (vi) in our opinion and to the best of our information and according to the explanations given to us, the accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2003;
    - (b) in the case of the profit and loss account, of the profit for the year ended on that date and;
    - (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

For A.F. FERGUSON & CO.  
Chartered Accountants

New Delhi : 11th August, 2003

J.M.SETH  
Partner

## **Annexure referred to in Paragraph (3) of the Auditors' Report to the Members of Godfrey Phillips India Limited on the Accounts for the year ended March 31, 2003.**

1. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets. As explained to us, the Company has a system of physical verification of fixed assets once in a period of three years and in accordance therewith no physical verification was due in the current year. In our opinion, the frequency of verification is reasonable having regard to the size of the Company and the nature of its fixed assets.
2. None of the fixed assets has been revalued during the year.
3. The stocks of finished goods, stores, spare parts and raw materials have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
4. The procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. The discrepancies noticed on physical verification of stocks as compared to book records were not material and have been properly dealt with in the books of account.
6. On the basis of our examination of stock records, we are of the opinion that the valuation of stocks is fair and proper in accordance with normally accepted accounting principles. The basis of valuation of stocks is the same as in the preceding year.
7. According to the information and explanations given to us, the Company has not taken any loans from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 and/or from the companies under the same management as defined under Section 370(1B) of the Companies Act, 1956.
8. According to the information and explanations given to us, the Company has not granted any loans to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 and/or to companies under the same management as defined under Section 370(1B) of the Companies Act, 1956.
9. In respect of loans and advances in the nature of loans given to employees, the repayment of the principal amount and the interest, where applicable, are as per the stipulations. Further, loans aggregating Rs.1151 lacs given to a subsidiary company are repayable on demand and according to the information and explanations given to us, these loans have not been recalled.
10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of stores, raw materials including components, plant and machinery, equipment and other assets and for the sale of goods.
11. In our opinion and according to the information and explanations given to us, the transactions of purchase of goods and materials and sale of goods, materials and services, aggregating during the year to Rs. 50,000 or more in respect of each party, made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956, have been made at prices which are reasonable having regard to prevailing market prices of such goods, materials and services or the prices at which transactions for similar goods, materials and services have been made with other parties, except for items stated to be of specialised nature for which there are no alternate sources of supply/sales to enable a comparison of prices .
12. As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods. Adequate provision has been made in the accounts for the loss arising on the items so determined.
13. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public.
14. In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable scrap. The Company's manufacturing activities do not generate any by-products.
15. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
16. We are informed that the maintenance of cost records has not been prescribed by the Central Government under Section 209(1) (d) of the Companies Act, 1956 in respect of the Company's products.
17. According to the records of the Company, provident fund dues and employees' state insurance dues have been regularly deposited during the year with the appropriate authorities.
18. According to the information and explanations given to us, no undisputed amounts payable in respect of income-tax, wealth tax, sales tax, customs duty and excise duty were outstanding as at March 31, 2003 for a period of more than six months from the date they became payable.
19. According to the information and explanations given to us, no personal expenses of employees or directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
20. The Company is not a sick industrial company within the meaning of clause (o) of the sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
21. As explained to us, in respect of goods purchased for resale, the Company has a reasonable system for the determination of damaged goods. Adequate provision has been made for the loss arising on the items so determined which is not of a significant value.

For A.F.FERGUSON & CO.  
Chartered Accountants

J.M.SETH  
Partner

New Delhi : 11th August, 2003

# GODFREY PHILLIPS INDIA LIMITED

## Balance sheet as at March 31, 2003

				<i>Rupees in lacs</i>	
	Schedule Number		As at 31.3.2003	As at 31.3.2002	
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' funds</b>					
Share capital	1	1039.88		1039.88	
Reserves and surplus	2	24926.26	25966.14	23129.95	24169.83
<b>Loan funds</b>					
Secured	3	2336.13		464.64	
Unsecured		445.67		2956.44	
Deferred credits		526.81	3308.61	608.34	4029.42
TOTAL			29274.75		28199.25
<b>APPLICATION OF FUNDS</b>					
<b>Fixed assets</b>					
Gross block	4	12802.91		11312.26	
Less: Depreciation		5437.67		4578.58	
Net block		7365.24		6733.68	
Capital work-in-progress and advances on capital account		48.24	7413.48	303.74	7037.42
<b>Investments</b>	5		15635.52		12873.43
<b>Current assets, loans and advances</b>					
Income accrued on investments		36.04		28.88	
Inventories	6	10353.81		10053.19	
Sundry debtors	7	1162.30		195.76	
Cash and bank balances	8	1636.89		757.27	
Loans and advances	9	4158.09		6245.19	
		17347.13		17280.29	
<i>Less:</i>					
<b>Current liabilities and provisions</b>					
Current liabilities	10	8441.05		5696.72	
Provisions	11	3477.24		3073.86	
		11918.29		8770.58	
Net current assets			5428.84		8509.71
Deferred tax (net)	12		796.91		(221.31)
TOTAL			29274.75		28199.25
Notes to the accounts	16				

Per our report attached  
For A.F. FERGUSON & CO.,  
Chartered Accountants

L.K. MODI  
Executive Director

S.V. SHANBHAG  
Whole-time Director

J.M. SETH  
Partner

New Delhi : 11th August, 2003

R.N. AGARWAL  
Director - Finance

SAMIR KUMAR MODI  
Executive Director

R.A. PODDAR  
Chief Executive

R. JOSHI  
Company Secretary

R.A. SHAH  
Chairman

K.K. MODI  
President

C.M. MANIAR  
LALIT BHASIN  
O.P. VAISH  
ANUP N. KOTHARI

Directors

# GODFREY PHILLIPS INDIA LIMITED

## Profit and loss account for the year ended March 31, 2003

*Rupees in lacs*

	Schedule Number	For the year ended 31.3.2003	For the year ended 31.3.2002
<b>INCOME</b>			
Sales		<b>107734.16</b>	94468.90
Other income	13	<b>1904.75</b>	1533.08
		<b>109638.91</b>	96001.98
<b>EXPENSES</b>			
Raw and packing materials, manufactured and other goods	14	<b>20284.59</b>	16599.19
Excise duty		<b>52085.18</b>	47048.97
Manufacturing and other expenses	15	<b>28395.65</b>	24358.70
Depreciation	4	<b>913.01</b>	811.28
		<b>101678.43</b>	88818.14
Profit before taxation and exceptional item		<b>7960.48</b>	7183.84
Exceptional item (Refer Note 15)		<b>2270.09</b>	—
Profit before taxation		<b>5690.39</b>	7183.84
Provision for taxation - current		<b>2918.00</b>	2466.00
- deferred tax credit		<b>(1018.22)</b>	(61.71)
Profit after taxation		<b>3790.61</b>	4779.55
Profit brought forward from previous year		<b>16233.07</b>	14377.30
Available for appropriation		<b>20023.68</b>	19156.85
<b>APPROPRIATIONS</b>			
Proposed dividend		<b>1767.80</b>	1923.78
Corporate dividend tax		<b>226.50</b>	—
Transferred to general reserve		<b>1100.00</b>	1000.00
Surplus carried to balance sheet		<b>16929.38</b>	16233.07
		<b>20023.68</b>	19156.85
Basic and diluted earnings per share (Face value of share - Rs.10 each)		<b>Rs.36.45</b>	Rs.45.96
Notes to the accounts	16		
Per our report attached to the balance sheet For A.F. FERGUSON & CO., Chartered Accountants	L.K. MODI Executive Director	SAMIR KUMAR MODI Executive Director	R.A. SHAH Chairman
	S.V. SHANBHAG Whole-time Director	R.A. PODDAR Chief Executive	K.K. MODI President
J.M. SETH Partner	R.N. AGARWAL Director - Finance	R. JOSHI Company Secretary	C.M. MANIAR LALIT BHASIN O.P. VAISH
New Delhi : 11th August, 2003			ANUP N. KOTHARI
			Directors

# GODFREY PHILLIPS INDIA LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2003

		<i>Rupees in lacs</i>	
		For the year ended 31.3.2003	For the year ended 31.3.2002
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net profit before tax		5,690.39	7,183.84
Adjustments for:			
Depreciation	913.01		811.28
Interest income from:			
Subsidiary companies	(92.42)		(104.13)
Debts, deposits, loans, etc.	(165.20)		(167.22)
Dividends from other long term investments	(41.69)		(72.53)
Dividends from other current investments	-		(158.33)
Interest income from other long term investments	(115.50)		(172.39)
Profit on redemption/sale of other long term investments(net)	(364.45)		(143.11)
Profit on sale of other current investments (net)	(229.67)		(181.69)
Foreign exchange loss	23.61		0.22
Provision for wealth-tax	11.00		9.00
Interest - fixed loans	89.94		89.65
- others	156.58		73.51
Bill discounting charges	112.31		252.39
Fixed assets written off	1.19		3.38
Loss on sale of fixed assets (net)	7.86		16.76
Provision for diminution in the value of other long term investments	-		169.87
Loss on other current investments	-		169.75
		306.57	596.41
<b>Operating profit before working capital changes</b>		5,996.96	7,780.25
Adjustments for:			
Trade and other receivables	1,282.60		391.95
Inventories	(300.62)		2,675.64
Trade and other payables	2,716.03		475.75
		3,698.01	3,543.34
<b>Cash generated from operations</b>		9,694.97	11,323.59
Interest received	93.23		122.69
Direct taxes paid	(2,638.89)		(2,191.77)
		(2,545.66)	(2,069.08)
<b>Net cash from operating activities</b>		7,149.31	9,254.51
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets	(1,223.44)		(877.88)
Proceeds from sale of fixed assets	37.24		30.28
Purchase of investments	(66,480.37)		(64,456.34)
Proceeds from sale of investments	64,312.40		59,647.84
Dividends from long term other investments	34.53		77.53
Dividends from other current investments	-		158.33
Interest received from other long term investments	115.50		191.95
Loans and deposits made	(209.00)		(429.96)
Interest received	155.66		130.42
<b>Net cash used in investing activities</b>		(3,257.48)	(5,527.83)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from fixed deposits	183.83		150.85
Repayment of fixed deposits	(196.08)		(106.11)
Repayment of long term borrowings	(200.31)		(175.66)
Repayment of working capital borrowings	(628.43)		(1,376.97)
Bill discounting charges paid	(69.32)		(222.24)
Interest paid	(170.99)		(162.46)
Dividend paid	(1,907.30)		(1,645.27)
Corporate dividend tax paid	-		(169.71)
<b>Net cash used in financing activities</b>		(2,988.60)	(3,707.57)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		903.23	19.11
Opening cash and cash equivalents			
— Cash and bank balances		757.27	738.33
Closing cash and cash equivalents			
— Cash and bank balances	1,636.89		757.27
— Effect of exchange rate changes on foreign currency bank balance	23.61		0.17
		1,660.50	757.44

Per our report attached  
to the balance sheet  
For A.F. FERGUSON & CO.,  
Chartered Accountants

L.K. MODI  
Executive Director

S.V. SHANBHAG  
Whole-time Director

J.M. SETH  
Partner

New Delhi : 11th August, 2003

R.N. AGARWAL  
Director - Finance

SAMIR KUMAR MODI  
Executive Director

R.A. PODDAR  
Chief Executive

R. JOSHI  
Company Secretary

R.A. SHAH  
Chairman

K.K. MODI  
President

C.M. MANIAR  
LALIT BHASIN  
O.P. VAISH  
ANUP N. KOTHARI

Directors



# GODFREY PHILLIPS INDIA LIMITED

Schedules 1 to 16 annexed to and forming part of the accounts for the year ended March 31, 2003

*Rupees in lacs*

	As at 31.3.2003	As at 31.3.2002
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## SCHEDULE 1 — Share capital

### AUTHORISED

60,000	Preference shares of Rs. 100 each	60.00	60.00
2,44,00,000	Equity shares of Rs. 10 each	2440.00	2440.00
		<b>2500.00</b>	<b>2500.00</b>

### ISSUED, SUBSCRIBED AND PAID UP

1,03,98,784	Equity shares of Rs.10 each fully paid up	1039.88	1039.88
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Of the above equity shares

- (i) 86,82,578 shares are allotted as fully paid up as bonus shares by capitalisation of general reserves Rs.311.57 lacs, share premium account Rs. 36.75 lacs and profits Rs.519.94 lacs.
- (ii) 83,490 shares are allotted as fully paid up to the shareholders of D. Macropolo & Company Limited on amalgamation.

## SCHEDULE 2 — Reserves and surplus

REVALUATION RESERVE				
Per last balance sheet		236.16		236.16
CAPITAL REDEMPTION RESERVE				
Per last balance sheet		30.00		30.00
GENERAL RESERVE				
Per last balance sheet	6630.72		5913.74	
Less: Deferred tax liabilities (net)	—		283.02	
	<b>6630.72</b>		<b>5630.72</b>	
Add: Amount transferred from profit and loss account	1100.00	7730.72	1000.00	6630.72
PROFIT AND LOSS ACCOUNT		<b>16929.38</b>		<b>16233.07</b>
		<b>24926.26</b>		<b>23129.95</b>

# GODFREY PHILLIPS INDIA LIMITED

Rupees in lacs

	As at 31.3.2003	As at 31.3.2002
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## SCHEDULE 3 — Loan funds

### SECURED

From banks:

Cash credit and working capital demand  
loan secured against hypothecation  
of stocks and book debts and second  
charge on certain immovable properties  
of the Company

Interest accrued and due on above	2336.13	464.56
	—	0.08
	2336.13	464.64

### UNSECURED

Commercial papers

—\* 2500.00\*

Fixed deposits (Payable within 12 months  
Rs.108.36 lacs; previous year Rs.201.52 lacs)

429.32 441.57

Interest accrued and due on above

16.35 445.67 14.87 2956.44

### DEFERRED CREDITS

From a supplier against import of machineries  
(Payable within 12 months Rs.210.72 lacs;  
previous year Rs.173.81 lacs)

526.81 608.34

3308.61 4029.42

\*Maximum amount raised at anytime during the year Rs.2500 lacs; previous year Rs. 3500 lacs.

## SCHEDULE 4 — Fixed assets

Rupees in lacs

	Gross Block (At Cost)			Depreciation				Net Block		
	As at 31.3.2002	Additions	Deductions	As at 31.3.2003	As at 31.3.2002	For the year	On deductions	As at 31.3.2003	As at 31.3.2003	As at 31.3.2002
Goodwill	1.20	—	—	1.20	—	—	—	—	1.20	1.20
Patents and trade marks	0.51	—	—	0.51	—	—	—	—	0.51	0.51
Land(leasehold)	11.48	385.25#	—	396.73	—	—	—	—	396.73	11.48
Land (freehold)	377.93	—	—	377.93	—	—	—	—	377.93	377.93
Buildings	1126.94*	48.45#	—	1175.39*	166.88	22.54	—	189.42	985.97	960.06
Plant and machinery and tubewell	7828.72	669.72	13.49	8484.95	3668.76	682.67	8.09	4343.34	4141.61	4159.96
Electrical installation and equipment	105.17	12.82	1.50	116.49	29.99	6.57	0.63	35.93	80.56	75.18
Furniture, fixtures and office equipment	1303.95	242.50	37.36	1509.09	557.80	131.60	18.90	670.50	838.59	746.15
Motor vehicles	556.36	238.98	54.72	740.62	155.15	69.63	26.30	198.48	542.14	401.21
Total	11312.26	1597.72	107.07	12802.91	4578.58	913.01	53.92	5437.67	7365.24	
Previous year	10721.60	676.89	86.23	11312.26	3808.07	811.28	40.77	4578.58		6733.68
Capital work-in-progress and advances on capital account									48.24	303.74
									7413.48	7037.42

\* Includes Rs. 0.02 lacs being the cost of shares in co-operative societies, Rs. 4.20 lacs towards cost of a flat in a co-operative society and Rs.76.96 lacs towards cost of a building, titles for which are yet to be registered in the name of the Company.

# Total consideration paid for the property has been allocated between land and building on the basis of valuation report and title is yet to be registered in the name of the Company.

1. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of capital advances) Rs.134.55 lacs (previous year Rs. 422.76 lacs).

2. Additions for the year include Rs.123.13 lacs (previous year - Rs.28.88 lacs) on account of fluctuations in the rate of exchange including increase in rupee liability of long term foreign currency loan.

# GODFREY PHILLIPS INDIA LIMITED

*Rupees in lacs*

	As at 31.3.2003	As at 31.3.2002
<b>SCHEDULE 5- Investments</b>		
<b>a) LONG TERM</b>		
<b>TRADE INVESTMENTS - QUOTED</b>		
MOI Engineering Limited 3,500 Equity shares of Rs.10 each fully paid up	<b>0.25</b>	0.25
<b>OTHER INVESTMENTS - QUOTED</b>		
Konkan Railway Corporation Limited 50,000 10.5% Tax-Free Secured Redeemable Non-convertible Bonds of Rs.1000 each	<b>475.50</b>	475.50
Indian Railway Finance Corporation Limited 60,000 10.5% Secured Redeemable Non-convertible Bonds of Rs.1000 each	<b>606.30</b>	606.30
<b>OTHER INVESTMENTS - UNQUOTED</b>		
<b>Subsidiary companies:</b>		
International Tobacco Company Limited 1,00,000 Equity shares of Rs.100 each fully paid up	<b>100.00</b>	100.00
Chase Investments Limited 40,010 Equity shares of Rs.100 each fully paid up	<b>40.01</b>	40.01
1,58,490 Equity shares of Rs.100 each Rs.50 paid up	<b>79.24</b>	79.24
City Leasing and Finance Company Limited 4,00,020 Equity shares of Rs.10 each fully paid up	<b>40.00</b>	40.00
15,49,980 Equity shares of Rs.10 each Rs.5.50 paid up	<b>85.25</b>	85.25
Manhattan Credits and Finance Limited 19,50,000 Equity shares of Rs.10 each fully paid up	<b>195.00</b>	195.00
<b>Others:</b>		
Success Principles India Limited 1,99,673 Equity shares of Rs.10 each fully paid up	<b>19.97</b>	19.97
Unit Trust of India 38,37,000 Units of Rs.10 each	<b>553.57</b>	553.57
Less: Provision for diminution in the value of investment	<b>169.87</b>	169.87
	<b>383.70</b>	383.70
Modi Entertainers Networks Private Limited 1,000 (previous year 100) Equity shares of Rs.10 each fully paid up (900 shares purchased during the year)	<b>0.10</b>	0.01
Sundaram Mutual Fund 1,00,000 Units of Sundaram Growth Fund of Rs.10 each	<b>10.00</b>	10.00
38,49,081 Units of Sundaram Bond Saver-Appreciation of Rs.10 each	<b>596.31</b>	597.99
23,01,943 (Previous year Nil) Units of Sundaram Bond Saver-Bonus of Rs.10 each (25,57,715 Units purchased and sold during the year and 23,01,943 Units received as Bonus Units)	<b>236.84</b>	—
Franklin Templeton Mutual Fund 5,57,915 Units of Templeton India Growth Fund -Dividend of Rs.10 each	<b>56.25</b>	56.25
42,89,805 Units of Templeton India Income Fund-Growth Plan of Rs.10 each	<b>592.58</b>	593.68
20,00,000 Units of Templeton Monthly Income Plan-Half Yearly Dividend of Rs.10 each	<b>198.18</b>	198.31
35,84,037 Units of Templeton India Govt. Securities Fund- Growth Plan of Rs.10 each	<b>597.79</b>	599.94
64,85,957 Units of Templeton India Income Builder Account - Institutional Plan - Growth of Rs.10 each purchased during the year	<b>700.00</b>	—
14,33,918 Units of Templeton India Income Builder Account - Plan A - Growth of Rs.10 each purchased during the year	<b>300.00</b>	—
Prudential ICICI Mutual Fund 103,08,923 (Previous year 75,45,683) Units of Prudential ICICI Income Plan-Growth of Rs.10 each (27,63,240 Units purchased during the year)	<b>1455.72</b>	958.40
25,56,402 Units of Prudential ICICI Gilt Fund Investment Plan - Growth of Rs.10 each	<b>398.83</b>	399.94
45,38,687 Units of Prudential ICICI Flexible Income Plan- Cumulative Option of Rs.10 each purchased during the year	<b>500.00</b>	—
Birla Mutual Fund 61,06,471 Units of Birla Income Plus Plan B - Growth of Rs.10 each	<b>1089.42</b>	1092.69
14,12,030 Units of Birla Gilt Plus Investment Plan - Growth of Rs.10 each	<b>199.02</b>	200.00
12,46,416 Units of Birla Gilt Plus Long Term Plan - Growth of Rs.10 each	<b>199.37</b>	200.00
Kotak Mahindra Mutual Fund 21,54,634 Units of K Gilt Unit Scheme 98 (Investment Plan)-Growth of Rs.10 each	<b>362.87</b>	364.21
27,52,305 Units of K Bond Unit Scheme 99 (Wholesale Plan)-Growth of Rs.10 each purchased during the year	<b>408.84</b>	—
DSP Merrill Lynch Mutual Fund 39,55,693 Units of DSP Merrill Lynch Bond Fund-Regular Growth of Rs.10 each	<b>595.82</b>	597.44
6,21,075 Units of DSP Merrill Lynch Govt. Securities Fund-Plan A-Longer Duration Plan-Growth of Rs.10 each	<b>99.56</b>	100.00

# GODFREY PHILLIPS INDIA LIMITED

*Rupees in lacs*

	As at 31.3.2003	As at 31.3.2002
<b>SCHEDULE 5- Investments - Long term (At cost) (Contd.)</b>		
SBI Mutual Fund		
51,49,039 units of SBI Magnum Liquibond Income Fund-Growth Plan (Pay-out) of Rs.10 each	<b>594.83</b>	595.08
Zurich India Mutual Fund		
38,80,903 Units of Zurich India High Interest Fund-Regular Growth of Rs.10 each	<b>596.43</b>	597.58
Alliance Capital Mutual Fund		
Nil (Previous year 54,58,555) Units of Alliance Liquid Income - Regular Growth of Rs.10 each (54,58,555 Units sold during the year)	—	792.58
20,97,801 (Previous year 18,78,312) Units of Alliance Monthly Income-Quarterly Dividend of Rs.10 each (2,19,489 Units purchased during the year)	<b>240.25</b>	218.84
Standard Chartered Mutual Fund		
136,53,406 (Previous year 101,88,163) Units of Grindlays Super Saver Income Fund - Investment Plan - Growth option of Rs.10 each (34,65,243 Units purchased during the year)	<b>1641.90</b>	1146.50
HDFC Mutual Fund		
64,18,810 Units of HDFC Income Fund-Growth of Rs.10 each	<b>745.50</b>	748.36
8,46,381 Units of HDFC Gilt Fund Long Term-Growth of Rs.10 each	<b>99.72</b>	100.00
Chola Mutual Fund		
5,88,235 Units of Chola Triple Ace (Cumulative Plan) of Rs.10 each	<b>99.38</b>	99.72
7,85,989 (Previous year Nil) Units of Chola Triple Ace-Bonus Unit Option of Rs.10 each (9,82,487 Units purchased and sold during the year and 7,85,989 Units received as Bonus Units)	<b>88.89</b>	—
HSBC Mutual Fund		
50,00,000 Units of HSBC Institutional Income Fund - Investment Plan of Rs.10 each purchased during the year	<b>500.00</b>	—
IDBI Mutual Fund		
14,01,384 Units of IDBI Principal Income Fund of Rs.10 each purchased during the year	<b>200.00</b>	—
IL&FS Mutual Fund		
13,93,338 Units of IL & FS Bond Fund-Growth Plan of Rs.10 each purchased during the year	<b>205.54</b>	—
<b>Government Securities</b> (Lodged as security with Government Authorities)	<b>0.36</b>	0.41
<b>b) CURRENT</b>		
<b>OTHER INVESTMENTS - UNQUOTED</b>		
Kotak Mahindra Mutual Fund		
Nil (Previous year 36,10,108 Units of K Bond Unit Scheme 99 (Wholesale Plan) - Annual Dividend of Rs.10 each (36,10,108 Units sold during the year)	—	385.02
IL&FS Mutual Fund		
Nil (Previous year 19,22,337) Units of IL&FS Bond Fund - Annual Dividend Plan of Rs.10 each (19,22,337 Units sold during the year)	—	195.26
	<b>15635.52</b>	12873.43
Aggregate amount of quoted investments	<b>1082.05</b>	1082.05
Aggregate amount of unquoted investments:		
— Units of Mutual Funds	<b>13993.54</b>	11231.50
— Others	<b>559.93</b>	559.88
	<b>14553.47</b>	11791.38
Market value of quoted investments	<b>1165.75</b>	1158.10
Net asset value/repurchase price of units of Mutual Funds	<b>16662.46</b>	12975.76

**Note:**

Details of investments purchased and sold during the year in addition to such details given above :

- Prudential ICICI Liquid Plan 8,39,172 Units of Rs.10 each at cost of Rs.120 lacs
- Prudential ICICI short Term Plan-Cumulative 1,36,34,739 Units of Rs.10 each at cost of Rs.1525 lacs
- Alliance Cash Manager-Growth 2,56,586 Units of Rs.1000 each at cost of Rs.3590 lacs
- Alliance Cash Manager-Growth 5,48,74,189 Units of Rs.10 each at cost of Rs.7945 lacs
- Zurich India Liquidity Fund-Savings Plan-Growth 1,98,51,654 Units of Rs.10 each at cost of Rs.2375 lacs
- Birla Cash Plus -Plan B - Growth 5,21,32,004 Units of Rs.10 each at cost of Rs.8010 lacs
- HDFC Liquid Fund - Growth 3,39,53,444 Units of Rs.10 each at cost of Rs.3925 lacs
- HDFC Short Term Plan - Growth 1,82,22,716 Units of Rs.10 each at cost of Rs.1950 lacs
- Grindlays Cash Fund-Growth 1,99,51,225 Units of Rs.10 each at cost of Rs.2135 lacs
- Grindlays Super Saver Income Fund - Short Term-Growth 8,20,87,759 Units of Rs.10 each at cost of Rs.9750 lacs
- Templeton India Liquid Fund - Growth Plan 1,78,73,132 Units of Rs.10 each at cost of Rs.2550 lacs
- Templeton India Short Term Income Plan - Growth 7,14,620 Units of Rs.1000 each at cost of Rs.11360 lacs
- Templeton Floating Rate Income Fund - Short Term Plan - Growth 5,89,42,736 Units of Rs.10 each at cost of Rs.6340 lacs
- Sundaram Money Fund - Appreciation 31,82,078 Units of Rs.10 each at cost of Rs.400 lacs

**GODFREY PHILLIPS INDIA LIMITED**

Ruppes in lacs

	As at 31.3.2003	As at 31.3.2002
<b>SCHEDULE 6 — Inventories</b>		
At cost:		
Stores and spare parts	345.14	345.90
At lower of cost and net realisable value:		
Raw and packing materials	6736.80	6013.87
Work-in-process	58.83	37.05
Finished goods — Cigarettes	2451.72	2774.01
— Cigars	17.65	—
Other goods	449.52	588.21
Real estate*	294.15	294.15
	<b>10353.81</b>	<b>10053.19</b>

\*Includes land at revalued cost

**SCHEDULE 7 — Sundry debtors**

CONSIDERED GOOD		
Over six months — unsecured	17.36	7.03
Others — secured	83.71	63.63
— unsecured	1061.23	125.10
CONSIDERED DOUBTFUL		
Over six months	122.34	118.37
	1284.64	314.13
Less: Provision for doubtful debts	122.34	118.37
	1162.30	195.76

Less: Provision for doubtful debts

**SCHEDULE 8 — Cash and bank balances**

Cash and cheques on hand and in transit	184.57	187.93
With scheduled banks : On current accounts	1341.41	458.98
: On margin money accounts	110.46	110.36
: On fixed deposit accounts	0.45**	—
	<u>1,636.89</u>	<u>757.27</u>

\*\* Lodged as security with Government Authorities

**SCHEDULE 9 — Loans and advances**

Unsecured, considered good, unless otherwise stated:		
Advances recoverable in cash or in kind or for value to be received*	1425.21	3308.40
Considered doubtful	2334.96	65.31
	3760.17	3373.71
Less: Provision for doubtful advances	2334.96	65.31
	1425.21	3308.40
Inter corporate deposits	875.00	775.00
Dues from subsidiary companies**	1563.03	1905.17
With excise and customs on current/cenvat accounts	152.52	94.73
Income-tax recoverable	142.33	161.89
	4158.09	6245.19

Less: Provision for doubtful advances

Inter corporate deposits

Dues from subsidiary companies\*\*

With excise and customs on current/cenvat accounts

Income-tax recoverable

\* Includes:

- i) Rs.0.45 lac (previous year Rs.0.15 lac) due from officer/directors of the Company. Maximum amount due during the year Rs.0.88 lac (previous year Rs. 1.19 lacs).
- ii) Rs.1.59 lacs (previous year Rs.Nil) due from Modipon Ltd., a company under the same management. Maximum amount due during the year Rs.3.44 lacs (previous year Rs. 2.08 lacs).

\*\* Dues from subsidiaries represent loans and advances recallable on demand and comprise of:

- i) Interest free loans to Kashyap Metal and Allied Industries Limited (given prior to insertion of section 372A on October 31, 1998) Rs.342.65 lacs (previous year Rs.342.65 lacs). Maximum amount due during the year Rs.342.65 lacs (previous year Rs.342.65 lacs).
- ii) Interest bearing loans/advances to:
- (a) Loans to Kashyap Metal and Allied Industries Limited Rs.847.61 lacs (previous year Rs.732.62 lacs). Maximum amount due during the year Rs.847.61 lacs (previous year Rs.732.62 lacs).
- (b) Advances to International Tobacco Company Limited Rs.372.77 lacs (previous year Rs.825.96 lacs). Maximum amount due during the year Rs.825.96 lacs (previous year Rs.1090.05 lacs).
- (c) Advances to Unique Space Developers Limited Rs.Nil (previous year Rs.3.94 lacs). Maximum amount due during the year Rs.3.94 lacs (previous year Rs.3.94 lacs).



# GODFREY PHILLIPS INDIA LIMITED

*Rupees in lacs*

	As at 31.3.2003	As at 31.3.2002
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## SCHEDULE 10 — Current liabilities

Sundry creditors #		
— Dues of small scale industrial undertakings (Refer Note 8)	347.84	161.31
— Dues of other than small scale industrial undertakings	8075.11	5506.65
Interest accrued but not due on loans, deposits and deferred credits	18.10	28.76
	<b>8441.05</b>	<b>5696.72</b>

# Sundry creditors do not include any amounts outstanding as on March 31, 2003 which are required to be credited to the Investor Education and Protection Fund.

## SCHEDULE 11 — Provisions

Proposed dividend	1767.80	1923.78
Provision for corporate dividend tax	226.50	—
Taxation (net of payments)	884.01	613.46
Provision for encashable leave salary	598.93	536.62
	<b>3477.24</b>	<b>3073.86</b>

## SCHEDULE 12 — Deferred tax (net)

Deferred tax assets		
— Accrued expenses deductible on payment	735.59	279.49
— Voluntary retirement scheme	57.72	85.12
— Capital losses carried forward	—	98.05
— Provision for doubtful debts/advances	881.56	67.50
	<b>1674.87</b>	<b>530.16</b>
Deferred tax liabilities		
— Accumulated depreciation	844.57	751.47
— Capital gains	33.39	-
	<b>877.96</b>	<b>751.47</b>
Deferred tax assets/(liabilities) (net)	<b>796.91</b>	<b>(221.31)</b>

*Rupees in lacs*

	For the year ended 31.3.2003	For the year ended 31.3.2002
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## SCHEDULE 13 — Other income

Rent and hire charges (gross) from:		
— Subsidiary company	213.88	233.45
— Others	111.78	49.18
Interest (gross) from:		
— Subsidiary companies	92.42	104.13
— Debts, deposits, loans, etc.	165.20	167.22
Income (gross) from other long term investments:		
— Dividends	41.69	72.53
— Interest	115.50	172.39
Dividends from other current investments	—	158.33
Profit on redemption/sale of other long term investments(net)	364.45	143.11
Profit on sale of other current investments (net)	229.67	181.69
Export incentives	288.41	-
Sundries	281.75	251.05
	<b>1904.75</b>	<b>1533.08</b>
Tax deducted at source:		
Income from long term other investments:		
— Interest	—	0.97
— Dividend	3.39	—
Interest income	44.65	45.41
Rent and hire charges	11.82	10.97
Sundries	1.13	0.95

# GODFREY PHILLIPS INDIA LIMITED

*Rupees in lacs*

	For the year ended 31.3.2003	For the year ended 31.3.2002
<b>SCHEDULE 14 — Raw and packing materials, manufactured and other goods</b>		
Raw and packing materials consumed	<b>13507.65</b>	10640.14
Manufacturing charges paid to the subsidiary company for cigarettes manufactured on our behalf	<b>1773.81</b>	2021.09
Purchases for resale (including transferred from raw and packing materials)	<b>4581.58</b>	3819.45
Decrease in work-in-process, finished goods and other goods		
Opening stock:		
— Work-in-process	<b>37.05</b>	54.75
— Finished goods	<b>2774.01</b>	2949.93
— Other goods	<b>588.21</b>	513.10
— Real estate	<b>294.15</b>	294.15
	<b>3693.42</b>	3811.93
Closing stock:		
— Work-in-process	<b>58.83</b>	37.05
— Finished goods	<b>2451.72</b>	2774.01
— Cigars	<b>17.65</b>	—
— Other goods	<b>449.52</b>	588.21
— Real estate	<b>294.15</b>	294.15
	<b>3271.87</b>	3693.42
	<b>421.55</b>	118.51
	<b>20284.59</b>	16599.19

# GODFREY PHILLIPS INDIA LIMITED

*Rupees in lacs*

	For the year ended 31.3.2003	For the year ended 31.3.2002
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## SCHEDULE 15 — Manufacturing and other expenses

Salaries, wages and bonus (Refer Note 10)	2686.79	2449.40
Contribution to provident and other funds (including administrative charges)	205.62	186.30
Workmen and staff welfare expenses	314.98	333.02
Contribution to gratuity and superannuation fund	253.21	255.94
Consumption of stores and spare parts	12.10	20.36
Power and fuel	292.23	249.05
Repairs and maintenance — Buildings	194.84	183.14
— Machinery	236.11	254.19
— Others	172.81	168.09
Rent (including Rs.90.32 lacs; previous year Rs. 59.61 lacs to the subsidiary company)	634.44	692.14
Rates and taxes	5549.66	3867.37
Insurance	166.26	155.05
Freight and cartage	539.74	440.74
Legal and professional expenses	2862.87	1593.06
Auditors' remuneration	45.30	50.12
Interest — Fixed loans	89.94	89.65
— Others	156.58	73.51
Cash discount	34.98	48.19
Commission paid to other selling agents	72.96	85.42
Advertising and sales promotion	8776.92	8521.36
Selling and distribution expenses	1164.54	727.32
Travelling and conveyance	1102.65	934.76
Donations	60.89	38.27
Bill discounting charges	112.31	252.39
Bad debts and advances written off	2.76	2.75
Provision for doubtful debts and advances	4.24	40.28
Fixed assets written off	1.19	3.38
Loss on sale of fixed assets(net)	7.86	16.76
Technical services fee and royalty	717.55	499.29
Provision for diminution in the value of other long term investment	—	169.87
Loss on other current investments	—	169.75
Miscellaneous expenses	1923.32	1787.78
	<b>28395.65</b>	<b>24358.70</b>

(a) The above amounts are net of recoveries made under the following heads:

i) Salaries, wages and bonus	—	4.95
ii) Contribution to provident and other funds	—	0.43
iii) Workmen and staff welfare expenses	—	0.10
iv) Miscellaneous expenses	—	0.83

(b) Consumption of stores and spare parts has been computed after deducting the amount charged to repairs and maintenance - machinery

**182.97** 203.12

(c) Insurance has been computed after deducting the amount for transit insurance charged to raw and packing materials, stores, etc.

**9.76** 8.10

## SCHEDULE 16 – Notes to the accounts for the year ended March 31, 2003

### 1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared under the historical cost convention in accordance with applicable accounting standards and relevant presentational requirements of the Companies Act, 1956.

#### i) Fixed assets and depreciation

Fixed assets are stated at cost of acquisition or construction less accumulated depreciation. Original cost of fixed assets acquired through foreign currency loans is adjusted at the end of each financial year by any change in liability arising out of change in the rates of exchange prevailing on the date of the balance sheet.

Value of goodwill, patents and trade marks and leasehold land is not amortised because, in view of the management, there is no diminution in their value.

Depreciation in the accounts is charged on the straight line method at the rates prescribed under the Companies Act, 1956 and is calculated on a full year basis on additions during the year and no depreciation is provided on assets deleted during the year. Extra shift depreciation is computed in full on a concern basis and not prorated to the number of days of shift working. Assets, other than items costing upto Rs. 5000 each, are depreciated upto 95% of their value and 5% residual value is retained in the books.

The depreciation rates which are different from the principal rates specified in Schedule XIV of the Companies Act, 1956 are as follows:-

Items of machinery and equipment costing upto Rs. 5,000 each acquired upto December 16, 1993

95%

Assets, other than data processing equipment, acquired upto December 31, 1987 and data processing equipment acquired upto December 31, 1986

SLM equivalent of rates applicable under the Income-tax Rules, 1962 at the time of acquisition of such assets.

#### ii) Investments

Long term investments are stated at cost net of provision for permanent diminution, if any. Current investments are stated at cost or fair value, whichever is lower.

#### iii) Inventories

Inventories are valued at cost or net realisable value, whichever is lower except stores and spare parts which are valued at cost and real estate which is valued at revalued cost of land and construction thereon at cost. The cost of raw materials and stores and spares is determined on monthly weighted average cost basis. The cost of finished goods and work-in-process is determined on standard absorption cost basis which approximates actual costs. Absorption cost comprises raw materials cost, direct wages, appropriate share of production overheads and applicable excise duty paid/payable thereon.

#### iv) Revenue recognition

Sale of goods is recognised at the point of despatch of goods to customers. Sales are inclusive of excise duty and luxury tax, where applicable but exclusive of sales tax.

Income from investments is recognised on an accrual basis.

#### v) Retirement benefits

The Company has various schemes of retirement benefits such as provident fund, superannuation fund and gratuity fund duly recognised by the Income-tax authorities. The funds are administered through trustees and the Company's contributions are charged against the revenue every year. Accrued liability for gratuity and leave salary encashable on retirement are determined on the basis of actuarial valuation at the end of the financial year.

#### vi) Income-tax

Provision for income-tax is based on the assessable profits computed in accordance with the provisions of the Income-tax Act, 1961.

Deferred tax is recognised, subject to the consideration of prudence, on timing differences, being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

#### vii) Proposed dividends

Dividends proposed by the directors as appropriation of profits are provided for in the books of account, pending approval of shareholders at the annual general meeting.

#### viii) Research and development expenditure

Research and development expenditure is charged to revenue under the natural heads of account in the year in which it is incurred and the capital expenditure is treated in the same way as the expenditure on other fixed assets.

#### ix) Foreign currency transactions

Transactions in foreign currency are recorded at the exchange rates prevailing at the time of the transactions. Gains/losses on settlement of the transactions are taken to the relevant revenue heads in the profit and loss account except in respect of fixed assets where exchange variance is adjusted in the carrying amount of fixed assets. Current assets and current liabilities are translated at the year end rates and the gains/losses are taken to the relevant revenue heads in the profit and loss account. The difference between the forward rate and the exchange rate at the date of the forward contract transaction is recognised as income or expense over the life of the contract and is taken to the profit and loss account.

# GODFREY PHILLIPS INDIA LIMITED

*Rupees in lacs*

	For the year ended 31.3.2003	For the year ended 31.3.2002
<b>2. REMUNERATION OF DIRECTORS</b>		
a) Included in Schedule 15 are:		
Remuneration*	82.46	81.89
Commission	50.20	50.20
Sitting fees	1.95	2.25
	<b>134.61</b>	<b>134.34</b>
* excludes incremental liability for gratuity and encashable leave salary which are actuarially determined on an overall basis.		
b) Computation of directors' commission and net profit in accordance with Section 198 of the Companies Act, 1956		
Profit before taxation	5690.39	7183.84
Add/(less):		
Directors' remuneration	134.61	134.34
Provision for diminution in value of other long term investments	—	169.87
Profit on redemption/sale of other long term investments (net)	(364.45)	(143.11)
Provision for doubtful debts and advances (including exceptional item)	2274.33	40.28
	<b>7734.88</b>	<b>7385.22</b>
Maximum commission payable to the three working Directors @ 4% of the above profit	309.40	295.41
Restricted to	50.20	50.20
<b>3. AUDITORS' REMUNERATION*</b>		
As auditors		
Audit fee	20.50	18.00
Out of pocket expenses	2.11	1.83
In other capacity		
For limited review of unaudited financial results	6.20	5.77
For corporate governance, consolidated financial statements and other certification work	2.89	0.74
For tax audit	5.09	5.09
For management consultancy	2.44	14.85
For provident fund audit	0.79	0.79
For miscellaneous certificates	5.23	0.83
Out of pocket expenses	0.05	2.22
	<b>45.30</b>	<b>50.12</b>
* including service tax, where applicable		
<b>4. EXPENDITURE ON SCIENTIFIC RESEARCH AND DEVELOPMENT</b>		
Revenue expenditure	169.46	45.24
Capital expenditure	154.68	—



# GODFREY PHILLIPS INDIA LIMITED

*Rupees in lacs*

	For the year ended 31.3.2003	For the year ended5. 31.3.2002
<b>5. CONTINGENT LIABILITIES NOT PROVIDED FOR</b>		
a) Demands from excise, sales tax , income-tax and other authorities disputed by the Company	163.38	294.18
b) Undertaking given to a bank in respect of cash credit facilities granted to the subsidiary company- International Tobacco Company Limited upto the limit of Rs. 150 lacs which is secured by hypothecation of stocks of that company. The actual overdrawn balance as on March 31, 2003 was Rs. Nil; previous year Rs. Nil		
c) Guarantees given to a bank on behalf of the subsidiary company- International Tobacco Company Limited in respect of export obligations	26.50	37.72
d) Cash security deposited on behalf of third parties in respect of excise duty	28.81	28.81
e) Guarantees given to a bank on behalf of third parties in respect of excise duty	98.01	98.01
f) Export bills discounted with banks	56.21	180.84
g) Uncalled liability on shares partly paid	148.99	148.99
6. (a) The Company and its contract manufacturer have received various show cause notices from Excise Authorities asking them to explain why certain amounts mentioned in these notices should not be paid. As these notices are in the nature of explanations required, the Company does not consider these to constitute a liability of any kind.		
(b) During the year 1986, clearances of a brand of cigarette manufactured on behalf of the Company by the contract manufacturers including the subsidiary company-International Tobacco Company Limited, were permitted on a provisional basis against execution of bonds by the respective manufacturers for which the Company has stood surety. However, no show cause or demand notice has been received by the manufacturers in this regard.		
7. Small scale undertakings have been identified by the Company on the basis of information provided to it by its suppliers. The names of such undertakings to whom dues are outstanding for more than 30 days as at March 31, 2003 are as under:		
i) Hitkari Multifilters Ltd.		
ii) Studio Printall (N.Delhi) Pvt.Ltd.		
iii) Triwal Boards Pvt. Ltd.		
iv) Perfect Industries		
v) S&S Packaging		
vi) Surya Print Process (P) Ltd.		
vii) Lakshmi Flexible Packaging Works		
viii) Arvind Packing Industries		
ix) Anand Packaging (P) Ltd.		
x) Shankar & Co.		
xi) Vindi Vak Pvt.Ltd.		
xii) Packfine Corrugating Industries		
xiii) Pearl Ceramics Pvt.Ltd.		

# GODFREY PHILLIPS INDIA LIMITED

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8. The Company has taken on lease plant and machinery, motor vehicles and office equipments of an aggregate cost of Rs.472.66 lacs (previous year Rs.1589.82 lacs) with future obligations by way of lease rentals amounting to Rs.85.46 lacs (previous year Rs.223.46 lacs). Lease rentals charged to the profit and loss account during the year is Rs.120.98 lacs (previous year Rs.287.60 lacs).

The Company has entered into various operating lease agreements for premises (residential, offices, godowns, etc.). These lease arrangements are cancellable in nature and range between two to three years and are usually renewable by mutual consent on mutually agreeable terms. The aggregate rentals paid under such agreements have been charged as rent in Schedule 15.

9. Exchange loss (net) included in the profit and loss account for the year is Rs.20.15 lacs (previous year - Rs.3.07 lacs).
10. Salaries and wages include payments under voluntary retirement schemes aggregating Rs.Nil (previous year Rs.97.09 lacs).
11. Exchange difference in respect of forward exchange contract to be recognised as expense in the profit and loss account of subsequent accounting year amounts to Rs.4.54 lacs (previous year Rs.Nil).
12. Related party disclosures under Accounting Standard 18

(A) Names of related parties and nature of related party relationships:

(a) Subsidiary companies:

International Tobacco Company Limited  
Chase Investments Limited  
City Leasing and Finance Company Limited  
Manhattan Credits and Finance Limited  
Kashyap Metal and Allied Industries Limited  
Unique Space Developers Limited

(b) Associates:

Philip Morris International Finance Corporation

(c) Key management personnel:

Mr. K.K.Modi	President and Managing Director
Mr. Lalit Kumar Modi	Executive Director
Mr. Samir Kumar Modi	Executive Director
Mr. S.V.Shanbhag	Whole-time Director

(d) Enterprises over which key management personnel and their relatives are able to exercise significant influence:

Modi Entertainment Limited  
Modicare Limited  
Modern Homecare Products Limited  
K.K.Modi Investment & Financial Services Private Limited  
Beacon Travels Private Limited  
Modi Entertainers Networks Private Limited  
Modipon Limited  
Assam Cigarette Company Private Limited  
R.C. Tobacco Private Limited  
HMA Udyog Private Limited  
Kaushambi Investment & Leasing Company Private Limited  
Bina Fashion N Food Private Limited  
Healthcare Placements India Private Limited  
Modicare Foundation

# GODFREY PHILLIPS INDIA LIMITED

- (B) Disclosure of transactions between the Company and related parties and the status of outstanding balances as at the year end:

*Rupees in lacs*

Nature of transactions	Subsidiary companies		Associates		Key management personnel		Enterprises over which significant influence exists	
	2003	2002	2003	2002	2003	2002	2003	2002
Sale of goods	136.69	464.28	—	—	—	—	183.01	209.98
Purchase of goods/services	189.00	186.42	—	—	—	—	476.40	300.65
Purchase of fixed assets	—	—	—	—	—	—	—	26.41
Sale of fixed assets	1.49	0.05	—	—	—	—	—	0.56
Purchase of equity shares	—	—	—	—	—	—	0.09	0.01
DEPB license purchased	21.45	6.08	—	—	—	—	—	—
Loans given	109.00	179.96	—	—	—	—	—	—
Deposits given	—	—	—	—	—	—	—	23.34
Deposits received	—	—	—	—	—	—	7.77	—
Interest income	92.42	104.13	—	—	—	—	—	—
Rent and hire charges received	213.88	233.45	—	—	0.13	0.13	111.62	38.79
Receipt for employees on deputation	—	6.31	—	—	—	—	—	—
Manufacturing charges paid	1773.81	2021.09	—	—	—	—	—	—
Rent and hire charges paid	90.32	59.61	—	—	—	—	21.14	38.07
Advertisement charges paid	—	—	—	—	—	—	191.06	160.69
Payments for employees on deputation	9.81	9.16	—	—	—	—	56.74	56.15
Donation paid	—	—	—	—	—	—	11.00	—
Expenses recovered	2.64	9.19	—	—	—	—	12.63	17.60
Expenses reimbursed	25709.33*	22573.44*	—	—	—	—	69.43	7.73
Dividend payment (gross)	—	—	691.29	597.87	—	—	—	—
Managerial remuneration	—	—	—	—	132.66	132.09	—	—
Amounts written back	—	—	—	—	—	—	0.23	—
Balance outstanding as at the year end								
— Loans and advances	1563.03	1905.17	—	—	0.05	0.15	2898.82 **	2395.30
— Sundry creditors	—	—	—	—	—	—	125.19	59.41
— Guarantees given to banks	176.50	187.72	—	—	—	—	98.01	98.01

\* comprising reimbursements to wholly owned subsidiary, International Tobacco Company Limited for excise duty and other payments made by them for and on behalf of the Company under the contract manufacturing arrangement, out of the funds made available by the Company.

\*\*includes Rs.2270.09 lacs provided for as doubtful advances.

## 13. Segment reporting disclosures under Accounting Standard 17

- (A) Business segments:

Based on the guiding principles given in Accounting Standard-17 "Segment Reporting" issued by the Institute of Chartered Accountants of India, the Company's primary business segments are (a) Cigarette and tobacco products; and (b) Tea.

- (B) Geographical segments:

Since the Company's activities/operations are primarily within the country and considering the nature of products it deals in, the risks and returns are same and as such there is only one geographical segment.

# GODFREY PHILLIPS INDIA LIMITED

Financial information about the primary business segments is presented in the table below:

*Rupees in lacs*

	Cigarette and tobacco products	Tea	Total	Cigarette and tobacco products	Tea	Total
	For the year ended March 31, 2003			For the year ended March 31, 2002		
1. Segment revenue - External sales	104599.47	3134.69	107734.16	90162.48	4306.42	94468.90
- Other income	910.41	46.64	957.05	595.02	20.31	615.33
- Total	105509.88	3181.33	108691.21	90757.50	4326.73	95084.23
- Unallocable income			947.70			917.75
Total revenue			109638.91			96001.98
2. Segment result	5328.39	(241.23)	5087.16	7409.54	(371.65)	7037.89
- Unallocable income net of unallocable expenses			875.81			539.87
Profit before interest and taxation			5962.97			7577.76
- Interest expenses and bill discounting charges			(272.58)			(393.92)
- Provision for income-tax			(1899.78)			(2404.29)
Profit after taxation			3790.61			4779.55
3. Other information	As at March 31, 2003			As at March 31, 2002		
a) Segment assets	20815.60	1011.09	21826.69	20492.10	1088.89	21580.99
- Unallocable assets/investments			19366.35			15610.15
Total assets			41193.04			37191.14
b) Segment liabilities	8648.30	268.67	8916.97	5775.83	340.32	6116.15
- Share capital and reserves			25966.14			24169.83
- Unallocable liabilities			6309.93			6905.16
Total liabilities			41193.04			37191.14
	For the year ended March 31, 2003			For the year ended March 31, 2002		
c) Capital expenditure including capital work in progress	1310.96	31.26	1342.22	866.22	40.54	906.76
d) Depreciation	882.25	30.76	913.01	782.61	28.67	811.28
e) Non cash expenditure other than depreciation	2331.65	4.98	2336.63	98.89	8.92	107.81

Segment accounting policies:

In addition to the significant accounting policies applicable to the business segments as set out in Note 1 in Schedule 16, the accounting policies in relation to segment accounting are as under:

a) Segment revenue and expenses:

Segment revenue and expenses only include items directly attributable to the segment. They do not include investment income, interest income from inter-corporate deposits and loans given, dividend income, profit or loss on sale of investments, provision for diminution in value of investments, interest expense (excluding those relating to segments) and bill discounting charges, donations and provision for taxation (both current and deferred). Since the corporate office of the Company primarily caters to the cigarette and tobacco products segment, its expenses have been considered to be attributable to the same.

b) Segment assets and liabilities:

All segment assets and liabilities are directly attributable to the segment.

Segment assets include all operating assets used by the segment and consist principally of net fixed assets, inventories, sundry debtors, loans and advances and operating cash and bank balances. Segment liabilities include all operating liabilities and consist principally of creditors and accrued liabilities. Segment assets and liabilities do not include investments, inter-corporate deposits and loans given, bank balances for unclaimed dividend and fixed deposits interest, real estate stock, share capital, reserves and surplus, loan funds, dividends payable and income-tax (both current and deferred).

14. Earnings per share has been computed as under:

(a) Net profit as per profit and loss account (Rs.lacs)	3790.61	4779.55
(b) Weighted average number of equity shares outstanding	1,03,98,784	1,03,98,784
(c) Basic and diluted earnings per share -Rupees (face value of share-Rs.10 each)	36.45	45.96

15. The Company, as on March 31, 2003 has a net outstanding amount of Rs.2270.09 lacs due from some manufacturing units in Assam, being the advances given to them for making deposits with excise authorities which, under the contractual arrangements with them, they were to return to the Company on receipt of refund of such deposits from the excise department in pursuance of an exemption notification issued by the Central Government in July, 1999. However, the Government has, through the Finance Act, 2003 amended the said notification retrospectively denying the benefits thereunder to the manufacturers of cigarettes and tobacco products. These units have challenged the legality of the impugned legislation in the writ petitions filed before the Guwahati High Court.

As per the latest audited balance sheets as at March 31, 2002, these units have accumulated losses in excess of their equity capital. The Company as a measure of prudence has provided for the total outstanding amount of Rs.2270.09 lacs (Net of deferred tax credit – Rs.1455.70 lacs) due from these units on the basis of its own assessment that they may not be in a position to repay the outstanding advances unless they receive refunds from the excise department.

# GODFREY PHILLIPS INDIA LIMITED

## 16. ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF PARAGRAPHS 3,4C AND 4D OF PART II OF SCHEDULE VI OF THE COMPANIES ACT, 1956.

			For the year ended 31.3.2003		For the year ended 31.3.2002
	Unit	Qty.	Rs. in lacs	Qty.	Rs. in lacs
I. Class of Goods, Capacity and Production					
Class of goods manufactured					
— Cigarettes					
Capacity (per annum)					
— Licensed	Million	18750*		18750*	
— Installed (on a single shift basis)	Million	3381		3072	
Production	Million	4669**		3538**	
Cigarettes manufactured by the subsidiary company on behalf of the Company	Million	5913		5319	
* Including 25% admissible production over licensed capacity					
** Including cigarettes manufactured by other parties on behalf of the Company					
Installed capacity has been certified by a director but has not been verified by the auditors as this is a technical matter.					
II. Turnover and stocks					
a) Particulars of sales*					
— Cigarettes	Million	10593	101607.96	8854	89449.32
— Unmanufactured tobacco	Tonne	3226	2968.06	982	608.39
— Cigars	'000 Pcs	105	23.45	—	—
— Other goods			3134.69		4411.19
b) Details of stock-in-trade					
i) Opening stocks					
— Cigarettes	Million	390	2774.01	411	2949.93
— Real estate			294.15		294.15
— Other goods			588.21		513.10
ii) Closing stocks					
— Cigarettes	Million	357	2451.72	390	2774.01
— Cigars	'000 Pcs	126	17.65	—	—
— Real estate			294.15		294.15
— Other goods			449.52		588.21
* Includes sales to a subsidiary Rs.122.54 lacs (previous year Rs.349.01 lacs) but excludes sales return and damaged stocks, etc.					
III. Raw and packing materials consumed					
Unmanufactured tobacco	Tonne	9544	5684.01	7468	4543.61
Cigarette paper	Bobbin	110895	512.63	93217	428.41
Cardboard (shells, slides and others)	Tonne	3992	3291.59	3300	2605.37
Filter rods	Million	1301	1488.28	1004	1103.36
Aluminium foil	Tonne	435	898.34	383	754.88
Cellulose paper	Tonne	251	496.73	206	376.46
Miscellaneous			1136.07		828.05
			13507.65		10640.14
IV. Purchases for resale					
Unmanufactured tobacco	Tonne	3226	2492.76	982	553.14
Cigars	'000 Pcs	232	30.39	—	—
Other goods-Tea (including packing materials and processing charges)			2058.43		3266.31
			4581.58		3819.45



# GODFREY PHILLIPS INDIA LIMITED

			For the year ended 31.3.2003		For the year ended 31.3.2002
	Unit	Qty.	Rs. in lacs	Qty.	Rs. in lacs
V. Value of imported and indigenous raw and packing materials and spare parts					
		% of total consumption	Rs. in lacs	% of total consumption	Rs. in lacs
(A) Raw and packing materials					
i) Imported		6.53	882.35	5.65	601.56
ii) Indigenous		93.47	12625.30	94.35	10038.58
		100.00	13507.65	100.00	10640.14
(B) Spare parts					
i) Imported		40.96	74.94	16.46	33.44
ii) Indigenous		59.04	108.03	83.54	169.68
		100.00	182.97	100.00	203.12
VI. Earnings in foreign exchange					
a) Export of goods on F.O.B. basis			5247.28		1099.02
b) Interest			0.96		0.96
c) Others including freight, etc.			78.24		68.50
			5326.48		1168.48
VII. Value of imports on C.I.F. basis (including those in transit)					
i) Raw materials			706.13		478.92
ii) Components and spare parts			52.48		23.41
iii) Capital goods			258.17		52.97
iv) Purchases for resale - cigars			62.76		—
			1079.54		555.30
VIII. Expenditure in foreign currencies					
Fees for technical services (net of tax)			644.27		447.89
Professional /consultancy fees (net of tax)			1410.07		751.45
Interest			40.02		41.07
Others			284.74		220.92
			2379.10		1461.33
IX. Dividends remittance to non-resident shareholders in foreign currency					
Amount of dividends (net of tax deducted at source)			546.12		597.87
Number of non-resident shareholders to whom remittances made			1		1
Number of shares on which remittances made			37,36,704		37,36,704
Year for which dividends remitted (year ended)			31.3.2002		31.3.2001

17. The figures for the previous year have been re-cast, wherever necessary to conform to the current year's classification.

L.K. MODI Executive Director	SAMIR KUMAR MODI Executive Director	R.A. SHAH Chairman	Directors
S.V. SHANBHAG Whole-time Director	R.A. PODDAR Chief Executive	K.K. MODI President	
R.N. AGARWAL Director - Finance		C.M. MANIAR LALIT BHASIN O.P. VAISH	
	R. JOSHI Company Secretary	ANUP N. KOTHARI	

Mumbai : 11th August, 2003

# GODFREY PHILLIPS INDIA LIMITED

## Additional Information as required under Part IV of Schedule VI to the Companies Act, 1956. Balance Sheet Abstract and Company's General Business Profile:

### I. Registration Details

Registration Number	8587
State Code	11
Balance Sheet Date	31.3.2003

### II. Capital Raised during the year

(Amount in Rs. Thousands)

Public Issue	Nil
Rights Issue	Nil
Bonus Issue	Nil
Private Placement	Nil

### III. Position of Mobilisation and Deployment of Funds

(Amount in Rs. Thousands)

Total Liabilities	4119304
Total Assets	4119304

#### Source of Funds:

Paid-up Capital	103988
Reserves and Surplus	2492626
Secured Loans	233613
Unsecured Loans	97248

#### Applications of Funds:

Net Fixed Assets	741348
Investments	1563552
Net Current Assets	622575
Misc. Expenditure	Nil
Accumulated Losses	Nil

### IV. Performance of the Company

(Amount in Rs. Thousands)

Turnover	10963891
Total Expenditure	10394852
Profit/(Loss) Before Tax	569039
Profit/(Loss) After Tax	379061
Earning Per Share (Rs.)	36.45
Dividend Rate (%)	170

### V. Generic Names of Three Principal Products/Services of the Company (as per monetary terms)

Item Code No.(ITC Code)	2402.20
Product Description	Cigarettes containing tobacco
Item Code No. (ITC Code)	2401.20
Product Description	Unmanufactured tobacco
Item Code No. (ITC Code)	902.30
Product Description	Tea black in packets

L.K. MODI  
Executive Director

SAMIR KUMAR MODI  
Executive Director

R.A. SHAH  
Chairman

S.V. SHANBHAG  
Whole-time Director

R.A. PODDAR  
Chief Executive

K.K. MODI  
President

R.N. AGARWAL  
Director - Finance

R. JOSHI  
Company Secretary

C.M. MANIAR  
LALIT BHASIN  
O.P. VAISH  
ANUP N. KOTHARI

Directors

Mumbai : 11th August, 2003

# GODFREY PHILLIPS INDIA LIMITED

## Statement pursuant to Section 212 of the Companies Act, 1956

### A. Holding Company's interest in the subsidiaries at the close of the respective financial years.

	Name of the Subsidiary	Financial Year ended	Extent of interest
1.	International Tobacco Company Limited	31.3.2003	The entire issued share capital of 100000 Equity Shares of Rs. 100 each fully paid.
2.	Chase Investments Limited	31.3.2003	The entire issued share capital of 198500 Equity Shares of Rs. 100 each of which 40010 are fully paid up and 158490 are Rs.50 paid up.
3.	City Leasing and Finance Company Limited	31.3.2003	The entire issued share capital of 1950000 Equity Shares of Rs. 10 each of which 400020 are fully paid up and 1549980 are Rs. 5.50 paid up.
4.	Manhattan Credits and Finance Limited	31.3.2003	The entire issued share capital of 1950000 Equity Shares of Rs. 10 each fully paid.
5.	Kashyap Metal and Allied Industries Limited	31.3.2003	Nil (It is a subsidiary under Section 4(3) (b)(ii) of the Companies Act, 1956.)
6.	Unique Space Developers Limited	31.3.2003	Nil (It is a subsidiary under Section 4(3) (b)(ii) of the Companies Act, 1956.)

### B. Net aggregate amount of profits/(losses) of the subsidiaries not dealt with in the Holding Company's accounts.

	Name of the Subsidiary	For Financial Year ended 31.3.2003 Rs. in lacs	For Previous Financial Years Rs. in lacs
1.	International Tobacco Company Limited	43.21	493.04
2.	Chase Investments Limited	13.00	13.50
3.	City Leasing and Finance Company Limited	2.01	7.42
4.	Manhattan Credits and Finance Limited	(0.04)	8.36
5.	Kashyap Metal and Allied Industries Limited	Not Applicable	Not Applicable
6.	Unique Space Developers Limited	Not Applicable	Not Applicable

### C. Net aggregate amount of profits/(losses) of the subsidiaries dealt with in the Holding Company's accounts, being the dividend received.

	Name of the Subsidiary	For Financial Year ended 31.3.2003 Rs. in lacs	For Previous Financial Years Rs. in lacs
1.	International Tobacco Company Limited	Nil	Nil
2.	Chase Investments Limited	Nil	4.88
3.	City Leasing and Finance Company Limited	Nil	6.29
4.	Manhattan Credits and Finance Limited	Nil	7.20
5.	Kashyap Metal and Allied Industries Limited	Not Applicable	Not Applicable
6.	Unique Space Developers Limited	Not Applicable	Not Applicable

L.K. MODI Executive Director	SAMIR KUMAR MODI Executive Director	R.A. SHAH Chairman	Directors
S.V. SHANBHAG Whole-time Director	R.A. PODDAR Chief Executive	K.K. MODI President	
R.N. AGARWAL Director - Finance		C.M. MANIAR LALIT BHASIN O.P. VAISH	
	R. JOSHI Company Secretary	ANUP N. KOTHARI	
Mumbai : 11th August, 2003			

### **Report of the Auditors to the Board of Directors of Godfrey Phillips India Limited on the Consolidated Financial Statements of Godfrey Phillips India Limited, its subsidiaries and an associate.**

We have examined the attached consolidated balance sheet of Godfrey Phillips India Limited, its subsidiaries and an associate (the Group), as at March 31, 2003 and also the consolidated profit and loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of Godfrey Phillips India Limited's management. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.
2. We did not audit the financial statements of subsidiaries viz., Chase Investments Limited, City Leasing and Finance Company Limited, Manhattan Credits and Finance Limited, Kashyap Metal and Allied Industries Limited and Unique Space Developers Limited whose financial statements reflect total assets of Rs.1694.40 lacs as at March 31, 2003 and total revenues of Rs.27.23 lacs for the year ended on that date (these figures include intragroup balances and intragroup transactions eliminated on consolidation) and an associate viz. Success Principles India Limited whose financial statements reflect the Group's share of profit upto March 31, 2003 of Rs.25.22 lacs and the Group's share of profit of Rs.1.71 lacs for the year ended on that date as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiaries and an associate is based solely on the report of the other auditors.
3. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements and Accounting Standard 23, Accounting for Investments in Associates, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Godfrey Phillips India Limited, its subsidiaries and an associate included in the consolidated financial statements.
4. On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of Godfrey Phillips India Limited, its subsidiaries, and an associate, in our opinion, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (a) in the case of the consolidated balance sheet of the consolidated state of affairs of Godfrey Phillips India Limited, its subsidiaries and an associate as at March 31, 2003;
  - (b) in the case of the consolidated profit and loss account of the consolidated results of operations of Godfrey Phillips India Limited, its subsidiaries and an associate for the year ended on that date; and
  - (c) in the case of the consolidated cash flow statement of the cash flows of Godfrey Phillips India Limited, its subsidiaries and an associate.

For A.F. FERGUSON & CO.  
Chartered Accountants

New Delhi  
Dated: 11th August, 2003

J.M. SETH  
Partner

# GODFREY PHILLIPS INDIA LIMITED

## Consolidated Balance Sheet as at March 31, 2003

*Rupees in lacs*

	Schedule Number	As at 31.3.2003	As at 31.3.2002
<b>SOURCES OF FUNDS</b>			
Shareholders' funds			
Share capital	1	1039.88	1039.88
Reserves and surplus	2	25242.86	23400.89
		<b>26282.74</b>	24440.77
<b>Minority interests</b>		<b>7.68</b>	6.45
<b>Loan funds</b>	3		
Secured		2336.13	464.64
Unsecured		445.67	2956.44
Deferred credits		526.81	608.34
		<b>3308.61</b>	4029.42
<b>TOTAL</b>		<b>29599.03</b>	28476.64
<b>APPLICATION OF FUNDS</b>			
<b>Fixed assets</b>	4		
Gross block		15324.64	13758.75
Less: Depreciation		6993.26	5982.53
		<b>8331.38</b>	7776.22
Net block			
Capital work-in-progress and advances on capital account		1092.98	1297.22
		<b>9424.36</b>	9073.44
<b>Investments</b>	5	<b>15416.92</b>	12629.61
<b>Current assets, loans and advances</b>			
Income accrued on investments		36.34	31.56
Inventories	6	10567.56	10347.64
Sundry debtors	7	1162.30	314.71
Cash and bank balances	8	1672.51	809.35
Loans and advances	9	2796.59	4600.88
		<b>16235.30</b>	16104.14
Less:			
<b>Current liabilities and provisions</b>			
Current liabilities	10	8574.73	5855.06
Provisions	11	3635.87	3165.30
		<b>12210.60</b>	9020.36
Net current assets		<b>4024.70</b>	7083.78
<b>Deferred tax (net)</b>	12	<b>733.05</b>	(310.19)
<b>TOTAL</b>		<b>29599.03</b>	28476.64
Notes to the consolidated accounts	16		

Per our report attached  
For A.F. FERGUSON & CO.,  
Chartered Accountants

L.K. MODI  
Executive Director

SAMIR KUMAR MODI  
Executive Director

R.A. SHAH  
Chairman

S.V. SHANBHAG  
Whole-time Director

R.A. PODDAR  
Chief Executive

K.K. MODI  
President

J.M. SETH  
Partner

New Delhi : 11th August, 2003

R.N. AGARWAL  
Director - Finance

R. JOSHI  
Company Secretary

C.M. MANIAR  
LALIT BHASIN  
O.P. VAISH  
ANUP N. KOTHARI

Directors

# GODFREY PHILLIPS INDIA LIMITED

## Consolidated Profit and Loss Account for the year ended March 31, 2003

*Rupees in lacs*

	Schedule Number	For the year ended 31.3.2003	For the year ended 31.3.2002
<b>INCOME</b>			
Sales		<b>107650.04</b>	94432.47
Other income	13	<b>1688.31</b>	1232.52
		<b>109338.35</b>	95664.99
<b>EXPENSES</b>			
Raw and packing materials, manufactured and other goods	14	<b>18410.61</b>	14511.90
Excise duty		<b>52085.18</b>	47048.97
Manufacturing and other expenses	15	<b>29753.38</b>	25836.50
Depreciation	4	<b>1093.99</b>	998.24
		<b>101343.16</b>	88395.61
Profit before taxation and exceptional item		<b>7995.19</b>	7269.38
Exceptional item (Refer Note 15)		<b>2270.09</b>	—
Profit before taxation		<b>5725.10</b>	7269.38
Provision for taxation - current		<b>2959.69</b>	2535.31
- deferred tax credit		<b>(1,043.24)</b>	(80.81)
Profit after taxation before share of results of an associate and minority interests		<b>3808.65</b>	4814.88
Share of net profit of an associate		<b>1.71</b>	—
Profit after taxation before minority interests		<b>3810.36</b>	4814.88
Minority interests		<b>(2.40)</b>	(0.06)
Net profit		<b>3812.76</b>	4814.94
Profit brought forward		<b>16502.71</b>	14611.55
Balance of revenue reserves of an associate on initial adoption [See Schedule 16 (1) (b) ]		<b>23.51</b>	—
Available for appropriation		<b>20338.98</b>	19426.49
<b>APPROPRIATIONS</b>			
Proposed dividend		<b>1767.80</b>	1923.78
Corporate dividend tax		<b>226.50</b>	—
Transferred to general reserve		<b>1100.00</b>	1000.00
Surplus carried to consolidated balance sheet		<b>17244.68</b>	16502.71
		<b>20338.98</b>	19426.49
Basic and diluted earnings per share (Face value of share - Rs.10 each)		<b>Rs.36.64</b>	Rs.46.30

Notes to the consolidated accounts 16

Per our report attached  
to the consolidated balance sheet  
For A.F. FERGUSON & CO.,  
Chartered Accountants

L.K. MODI  
Executive Director

SAMIR KUMAR MODI  
Executive Director

R.A. SHAH  
Chairman

S.V. SHANBHAG  
Whole-time Director

R.A. PODDAR  
Chief Executive

K.K. MODI  
President

J.M. SETH  
Partner

R.N. AGARWAL  
Director - Finance

R. JOSHI  
Company Secretary

C.M. MANIAR  
LALIT BHASIN  
O.P. VAISH  
ANUP N. KOTHARI

Directors

New Delhi : 11th August, 2003



# GODFREY PHILLIPS INDIA LIMITED

## Consolidated Cash Flow Statement for the year ended March 31, 2003

*Rupees in lacs*

		For the year ended 31.3.2003	For the year ended 31.3.2002
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net profit before tax		5,725.10	7,269.38
Adjustments for:			
Depreciation	1,093.99		998.24
Interest income from:			
Debts, deposits, loans, etc.	(181.36)		(169.28)
Dividends from other long term investments	(47.43)		(85.72)
Dividends from other current investments	—		(158.33)
Interest income from other long term investments	(115.50)		(172.39)
Commission received	(16.35)		—
Profit on redemption/sale of other long term investments(net)	(364.45)		(143.47)
Profit on sale of other current investments (net)	(229.67)		(181.69)
Foreign exchange loss	23.61		0.22
Provision for wealth-tax	11.00		9.00
Interest — fixed loans	89.94		93.00
Interest — others	159.55		74.81
Bill discounting charges	112.31		252.39
Fixed assets written off	16.25		16.15
Loss on sale of fixed assets (net)	9.46		16.81
Provision for diminution in the value of other long term investments	—		169.87
Loss on other current investments	—		169.75
		561.35	889.36
<b>Operating profit before working capital changes</b>		6,286.45	8,158.74
Adjustments for:			
Trade and other receivables	991.27		193.34
Inventories	(219.92)		2,768.91
Trade and other payables	2,700.95		488.75
		3,472.30	3,451.00
<b>Cash generated from operations</b>		9,758.75	11,609.74
Interest received	66.66		62.41
Dividends received	8.11		10.73
Commission received	7.13		—
Direct taxes paid	(2,601.26)		(2,256.76)
		(2,519.36)	(2,183.62)
<b>Net cash from operating activities</b>		7,239.39	9,426.12
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets	(1,396.28)		(1,054.36)
Proceeds from sale of fixed assets	37.58		30.27
Purchase of investments	(66,480.37)		(64,467.34)
Proceeds from sale of investments	64,312.40		59,648.26
Dividends from long term other investments	34.53		77.53
Dividends from other current investments	—		158.33
Interest received from other long term investments	115.50		191.95
Loans and deposits made	(100.00)		(249.96)
Interest received	111.96		95.87
		(3,364.68)	(5,569.45)
<b>Net cash used in investing activities</b>			
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of share capital	3.63		—
Proceeds from fixed deposits	183.83		150.85
Repayment of fixed deposits	(196.08)		(106.11)
Repayment of long term borrowings	(200.31)		(290.77)
Repayment of working capital borrowings	(628.43)		(1,376.97)
Bill discounting charges paid	(69.32)		(222.24)
Interest paid	(173.96)		(171.15)
Dividend paid	(1,907.30)		(1,645.27)
Corporate dividend tax paid	—		(169.71)
		(2,987.94)	(3,831.37)
<b>Net cash used in financing activities</b>			
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		886.77	25.30
Opening cash and cash equivalents			
— Cash and bank balances		809.35	784.22
Closing cash and cash equivalents			
— Cash and bank balances	1,672.51		809.35
— Effect of exchange rate changes on foreign currency bank balance	23.61		0.17
		1,696.12	809.52

Per our report attached  
to the consolidated balance sheet  
For A.F. FERGUSON & CO.,  
Chartered Accountants

L.K. MODI  
Executive Director

S.V. SHANBHAG  
Whole-time Director

J.M. SETH  
Partner

New Delhi : 11th August, 2003

R.N. AGARWAL  
Director - Finance

SAMIR KUMAR MODI  
Executive Director

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Chief Executive

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Company Secretary

R.A. SHAH  
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K.K. MODI  
President

C.M. MANIAR  
LALIT BHASIN  
O.P. VAISH  
ANUP N. KOTHARI

Directors

# GODFREY PHILLIPS INDIA LIMITED

## Schedules 1 to 16 annexed to and forming part of the consolidated accounts for the year ended March 31, 2003

*Rupees in lacs*

	As at 31.3.2003	As at 31.3.2002
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### SCHEDULE 1 — Share capital

#### AUTHORISED

60,000 Preference shares of Rs. 100 each	<b>60.00</b>	60.00
2,44,00,000 Equity shares of Rs. 10 each	<b>2440.00</b>	2440.00
	<b>2500.00</b>	2500.00

#### ISSUED, SUBSCRIBED AND PAID UP

1,03,98,784 Equity shares of Rs.10 each fully paid up	<b>1039.88</b>	1039.88
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Of the above equity shares

- (i) 86,82,578 shares are allotted as fully paid up as bonus shares by capitalisation of general reserves Rs.311.57 lacs, share premium account Rs. 36.75 lacs and profits Rs.519.94 lacs.
- (ii) 83,490 shares are allotted as fully paid up to the shareholders of D. Macropolo & Company Limited on amalgamation.

### SCHEDULE 2 — Reserves and surplus

REVALUATION RESERVE			
At commencement of the year	<b>236.16</b>		236.16
CAPITAL REDEMPTION RESERVE			
At commencement of the year	<b>30.13</b>		30.13
GENERAL RESERVE			
At commencement of the year	<b>6631.89</b>	5974.24	
Less: Deferred tax liabilities (net)	<b>—</b>	342.35	
	<b>6631.89</b>	5631.89	
Add: Amount transferred from profit and loss account	<b>1100.00</b>	<b>7731.89</b>	1000.00
PROFIT AND LOSS ACCOUNT	<b>17244.68</b>		16502.71
	<b>25242.86</b>		23400.89

# GODFREY PHILLIPS INDIA LIMITED

*Rupees in lacs*

	As at 31.3.2003	As at 31.3.2002
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## SCHEDULE 3 — Loan funds

### SECURED

From banks:

Cash credit and working capital demand loan secured against hypothecation of stocks and book debts and second charge on certain immovable properties of the Company

Interest accrued and due on above	2336.13 —	2336.13	464.56 0.08	464.64
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### UNSECURED

Commercial papers

Fixed deposits (payable within 12 months

Rs.108.36 lacs; Previous year Rs.201.52 lacs)

Interest accrued and due on above	— * 429.32 16.35	2500.00* 441.57 14.87	2956.44
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### DEFERRED CREDITS

From a supplier against import of machineries

(payable within 12 months Rs.210.72 lacs;

Previous year Rs. 173.81 lacs)

	526.81	608.34
	3308.61	4029.42

\* Maximum amount raised at anytime during the year Rs.2500 lacs; Previous year Rs.3500 lacs.

## SCHEDULE 4 — Fixed assets

*Rupees in lacs*

	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at 31.3.2002	Additions	Deductions	As at 31.3.2003	As at 31.3.2002	For the year	On deductions	As at 31.3.2003	As at 31.3.2003	As at 31.3.2002
Goodwill	166.69 *	—	—	166.69	—	—	—	—	166.69	166.69
Patents and trade marks	0.51	—	—	0.51	—	—	—	—	0.51	0.51
Land(leasehold)	19.33	451.05 #	—	470.38	—	—	—	—	470.38	19.33
Land (freehold)	393.43	—	—	393.43	—	—	—	—	393.43	393.43
Buildings	1265.24 **	70.40 #	11.16	1324.48	214.44	27.15	2.26	239.33	1085.15	1050.81
Plant and machinery and tubewell	9835.17	702.27	38.33	10499.11	4972.09	853.98	28.66	5797.41	4701.70	4863.08
Electrical installation and equipment	131.10	14.31	5.46	139.95	44.06	7.65	3.16	48.55	91.40	87.03
Furniture, fixtures and office equipment	1375.82	243.52	45.03	1574.31	592.64	134.12	22.79	703.97	870.34	783.18
Motor vehicles	571.46	239.24	54.92	755.78	159.30	71.09	26.39	204.00	551.78	412.16
Total	13758.75	1720.79	154.90	15324.64	5982.53	1093.99	83.26	6993.26	8331.38	
Previous year	13185.46	701.76	128.47	13758.75	5054.44	998.24	70.15	5982.53		7776.22
Capital work-in-progress and advances on capital account									1092.98	1297.22
									9424.36	9073.44

\* Includes Rs.165.49 lacs on consolidation.

\*\* Includes Rs. 0.02 lacs being the cost of shares in co-operative societies, Rs.4.20 lacs towards cost of a flat in a co-operative society and Rs.76.96 lacs towards cost of buildings, titles for which are yet to be registered in the name of the Group.

# Includes Rs.433.70 lacs paid for a property which amount has been allocated between land and building on the basis of valuation report and title whereof is yet to be registered in the name of the Group.

1. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of capital advances) Rs.329.21lacs; Previous year Rs.696.98 lacs.
2. Additions for the year include Rs.123.13 lacs (previous year - Rs.30.57 lacs) on account of fluctuations in the rate of exchange including increase in rupee liability of long term foreign currency loan.

# GODFREY PHILLIPS INDIA LIMITED

*Rupees in lacs*

	As at 31.3.2003	As at 31.3.2002
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## SCHEDULE 5 — Investments

### a) LONG TERM

#### TRADE INVESTMENTS - QUOTED

MOI Engineering Limited 3,500 Equity shares of Rs. 10 each fully paid up	0.25	0.25
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#### OTHER INVESTMENTS - QUOTED

Konkan Railway Corporation Limited 50,000 10.5% Tax-Free Secured Redeemable Non-convertible Bonds of Rs.1000 each	475.50	475.50
Indian Railway Finance Corporation Limited 60,000 10.5% Secured Redeemable Non-convertible Bonds of Rs.1000 each	606.30	606.30
Nestle India Limited 93 Equity shares Rs.10 each fully paid up	0.07	0.07
Smithkline Beecham Consumer Healthcare Limited 320 Equity shares Rs.10 each fully paid up	0.38	0.38
GTC Industries Limited 100 Equity shares Rs.10 each fully paid up	0.01	0.01
VST Industries Limited 100 Equity shares Rs.10 each fully paid up	0.11	0.11
Hindustan Lever Limited 290 Equity shares Rs.1 each fully paid up	0.07	0.07
HDFC Bank Limited 28,200 Equity shares Rs.10 each fully paid up	2.82	2.82
Oriental Bank of Commerce 26,000 Equity shares Rs.10 each fully paid up	15.60	15.60
Bank of Baroda 40,000 Equity shares Rs.10 each fully paid up	34.00	34.00
State Bank of Travancore 1,405 Equity shares Rs.100 each fully paid up	8.43	8.43
Bank of India 18,000 Equity shares Rs.10 each fully paid up	8.10	8.10
Corporation Bank 2,400 Equity shares Rs.10 each fully paid up	1.92	1.92
Punjab Communications Limited 3,700 Equity shares Rs.10 each fully paid up	9.25	9.25
Less: Provision for diminution in the value of investment	7.66	7.66
Narang Industries Limited 40,000 Equity shares Rs.10 each fully paid up	4.00	4.00
Circassia Pacific Finance Limited 1,00,000 Equity shares Rs.10 each fully paid up	10.00	10.00
Less: Provision for diminution in the value of investment	2.25	2.25

#### OTHER INVESTMENTS - UNQUOTED

##### Associate:

Success Principles India Limited 1,99,673 Equity shares of Rs. 10 each fully paid up Cost of acquisition (net of capital reserve of Rs.1.67 lacs) Add: Group's share of profits upto 31.3.2003.	19.97 25.22	45.19	19.97
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##### Others:

Unit Trust of India 38,37,000 Units of Rs. 10 each Less: Provision for diminution in the value of investment	553.57 169.87	383.70	553.57 169.87	383.70
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# GODFREY PHILLIPS INDIA LIMITED

*Rupees in lacs*

	As at 31.3.2003	As at 31.3.2002
<b>SCHEDULE 5 — Investments (Contd.)</b>		
Modi Entertainers Networks Private Limited 1,000 (Previous year 100) Equity shares of Rs.10 each fully paid up	<b>0.10</b>	0.01
Indo Euro Investment Company Limited 36,750 Equity shares of Rs.100 each fully paid up	<b>36.78</b>	36.78
Bharti Agritech Private Limited 9,800 Equity shares of Rs.100 each fully paid up	<b>9.80</b>	9.80
Modicare Limited 7,20,000 Equity shares of Rs.10 each fully paid up	<b>72.00</b>	72.00
Sundaram Mutual Fund 1,00,000 Units of Sundaram Growth Fund of Rs.10 each	<b>10.00</b>	10.00
38,49,081 Units of Sundaram Bond Saver-Appreciation of Rs.10 each	<b>596.31</b>	597.99
46,072 Units of Sundaram Bond Saver - Dividend of Rs.10 each	<b>4.75</b>	4.75
23,01,943 (Previous year Nil) Units of Sundaram Bond Saver - Bonus of Rs.10 each	<b>236.84</b>	—
Franklin Templeton Mutual Fund 5,57,915 Units of Templeton India Growth Fund -Dividend of Rs.10 each	<b>56.25</b>	56.25
42,89,805 Units of Templeton India Income Fund-Growth Plan of Rs. 10 each	<b>592.58</b>	593.68
20,00,000 Units of Templeton Monthly Income Plan-Half Yearly Dividend of Rs.10 each	<b>198.18</b>	198.31
35,84,037 Units of Templeton India Govt. Securities Fund- Growth Plan of Rs.10 each	<b>597.79</b>	599.94
Nil (Previous year 5,22,606) Units of Templeton India Income Fund - Dividend Plan of Rs.10 each	—	54.50
2,91,315 (Previous year Nil) Units of Templeton India Income Fund - Growth Plan of Rs.10 each	<b>54.50</b>	—
64,85,957 (Previous year Nil) Units of Templeton India Income Builder Account - Institutional Plan - Growth of Rs.10 each	<b>700.00</b>	—
14,33,918 (Previous year Nil) Units of Templeton India Income Builder Account - Plan A - Growth of Rs.10 each	<b>300.00</b>	—
Prudential ICICI Mutual Fund 103,08,923 (Previous year 75,45,683) Units of Prudential ICICI Income Plan- Growth of Rs.10 each	<b>1455.72</b>	958.40
25,56,402 Units of Prudential ICICI Gilt Fund Investment Plan- Growth of Rs.10 each	<b>398.83</b>	399.94
Nil (Previous year 78,474) Units of Prudential ICICI Income Plan - Dividend of Rs.10 each	—	8.50
50,008 (Previous year Nil) Units of Prudential ICICI Income Plan - Growth of Rs.10 each	<b>8.50</b>	—
45,38,687 (Previous year Nil) Units of Prudential ICICI Flexible Income Plan - Cumulative Option of Rs.10 each	<b>500.00</b>	—
Birla Mutual Fund 61,06,471 Units of Birla Income Plus of Rs. 10 each	<b>1089.42</b>	1092.69
14,12,030 Units of Birla Gilt Plus Investment Plan-Growth of Rs.10 each	<b>199.02</b>	200.00
12,46,416 Units of Birla Gilt Plus Long Term Plan-Growth of Rs.10 each	<b>199.37</b>	200.00
Nil (Previous year 34,280) Units of Birla Income Plus - Dividend Payout of Rs.10 each	—	3.50
15,201 (Previous year Nil) Units of Birla Income Plus - Growth of Rs.10 each	<b>3.50</b>	—
Kotak Mahindra Mutual Fund 21,54,634 Units of K Gilt Unit Scheme 98 (Investment Plan)- Growth of Rs.10 each	<b>362.87</b>	364.21
Nil (Previous year 30,000) Units of K Bond Unit Scheme 99 (Deposit Plan) - Dividend of Rs.10 each	—	3.00
22,370 (Previous year Nil) Units of K Bond Unit Scheme 99 (Deposit Plan) - Growth of Rs.10 each	<b>3.00</b>	—
27,52,305 (Previous year Nil) Units of K Bond Unit Scheme 99 (Wholesale Plan) - Growth of Rs.10 each	<b>408.84</b>	—

# GODFREY PHILLIPS INDIA LIMITED

*Rupees in lacs*

	As at 31.3.2003	As at 31.3.2002
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## SCHEDULE 5 — Investments (Contd.)

DSP Merrill Lynch Mutual Fund		
39,55,693 Units of DSP Merrill Lynch Bond Fund-Regular Growth of Rs.10 each	595.82	597.44
6,21,075 Units of DSP Merrill Lynch Govt. Securities Fund-Plan		
A-Longer Duration Plan-Growth of Rs. 10 each	99.56	100.00
SBI Mutual Fund		
51,49,039 units of SBI Magnum Liquibond Income Fund- Growth Plan (Pay-out) of Rs.10 each	594.83	595.08
Zurich India Mutual Fund		
38,80,903 Units of Zurich India High Interest Fund-Regular Growth of Rs.10 each	596.43	597.58
Alliance Capital Mutual Fund		
Nil (Previous year 54,58,555) Units of Alliance Liquid Income - Regular Growth of Rs.10 each	—	792.58
20,97,801 (Previous year 18,78,312) Units of Alliance Monthly Income- Quarterly Dividend of Rs.10 each	240.25	218.84
1,51,516 Units of Alliance Income Fund -Regular Growth of Rs.10 each	18.00	18.00
Standard Chartered Mutual Fund		
136,53,406 (Previous year 101,88,163) Units of Grindlays Super Saver Income Fund - Investment Plan - Growth option of Rs.10 each	1641.90	1146.50
HDFC Mutual Fund		
64,18,810 Units of HDFC Income Fund-Growth of Rs.10 each	745.50	748.36
8,46,381 Units of HDFC Gilt Fund Long Term-Growth of Rs.10 each	99.72	100.00
Chola Mutual Fund		
5,88,235 Units of Chola Triple Ace (Cumulative Plan) of Rs.10 each	99.38	99.72
7,85,989 (Previous year Nil) Units of Chola Triple Ace- Bonus Unit Option of Rs.10 each	88.89	—
HSBC Mutual Fund		
50,00,000 (Previous year Nil) Units of HSBC Institutional Income Fund - Investment Plan of Rs.10 each	500.00	—
IDBI Mutual Fund		
14,01,384 (Previous year Nil) Units of IDBI Principal Income Fund of Rs.10 each	200.00	—
IL&FS Mutual Fund		
13,93,338 (Previous year Nil) Units of IL&FS Bond Fund-Growth Plan of Rs.10 each	205.54	—
<b>Government Securities</b>		
(lodged as security with Government Authorities)	0.36	0.41

## b) CURRENT

### OTHER INVESTMENTS - UNQUOTED

Kotak Mahindra Mutual Fund		
Nil (Previous year 36,10,108) Units of K Bond Unit Scheme 99 (Wholesale Plan) - Annual Dividend of Rs.10 each	—	385.02
IL&FS Mutual Fund		
Nil (Previous year 19,22,337) Units of IL&FS Bond Fund - Annual Dividend Plan of Rs.10 each	—	195.26
	<b>15416.92</b>	<b>12629.61</b>
Aggregate amount of quoted investments	<b>1166.90</b>	1166.90
Aggregate amount of unquoted investments:		
- Units of Mutual Funds	<b>14085.80</b>	11323.75
- Others	<b>164.22</b>	138.96
	<b>14250.02</b>	<b>11462.71</b>
Market value of quoted investments	<b>1313.98</b>	1281.46
Net asset value/repurchase price of units of Mutual Funds	<b>16779.19</b>	13080.65



# GODFREY PHILLIPS INDIA LIMITED

*Rupees in lacs*

	As at 31.3.2003	As at 31.3.2002
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## SCHEDULE 6 — Inventories

### At cost:

Stores and spare parts	512.39	506.87
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### At lower of cost and net realisable value:

Raw and packing materials	6794.75	6174.05
Work-in-process	58.83	37.05
Finished goods - Cigarettes	2440.27	2747.31
- Cigars	17.65	—
Other goods	449.52	588.21
Real estate*	294.15	294.15
	<b>10,567.56</b>	<b>10,347.64</b>

\*Includes land at revalued cost

## SCHEDULE 7 — Sundry debtors

### CONSIDERED GOOD

Over six months — unsecured	17.36	7.03
Others — secured	83.71	63.63
— unsecured	1061.23	244.05

### CONSIDERED DOUBTFUL

Over six months	122.34	118.37
	<b>1,284.64</b>	<b>433.08</b>
Less: Provision for doubtful debts	122.34	118.37
	<b>1162.30</b>	<b>314.71</b>

## SCHEDULE 8 — Cash and bank balances

Cash and cheques on hand and in transit	186.23	189.17
With scheduled banks : On current accounts	1375.37	509.82
: On margin money accounts	110.46	110.36
: On fixed deposit accounts	0.45*	—
	<b>1,672.51</b>	<b>809.35</b>

\* Lodged as security with Government Authorities

## SCHEDULE 9 — Loans and advances

Unsecured, considered good, unless otherwise stated:

Advances recoverable in cash or in kind or for value to be received*	1582.67	3449.29
Considered doubtful	2335.08	65.43

	<b>3917.75</b>	<b>3514.72</b>
Less: Provision for doubtful advances	2335.08	65.43
	<b>1582.67</b>	<b>3449.29</b>

Inter corporate deposits	875.00	775.00
With excise and customs on current/cenvat accounts	196.34	188.81
Income-tax recoverable	142.58	187.78
	<b>2796.59</b>	<b>4600.88</b>

\* Includes:

- Rs.0.45 lac (Previous year Rs.0.15 lac) due from officer/directors of the Company.  
Maximum amount due during the year Rs.1.59 lacs (Previous year Rs.1.19 lacs).
- Rs.1.59 lacs (Previous year Rs.Nil) due from Modipon Ltd., a company under the same management.  
Maximum amount due during the year Rs.3.44 lacs (Previous Rs.2.08 lacs).

# GODFREY PHILLIPS INDIA LIMITED

*Rupees in lacs*

	As at 31.3.2003	As at 31.3.2002
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## SCHEDULE 10 — Current liabilities

Sundry creditors #		
Dues of small scale industrial undertakings	350.06	164.83
Dues of other than small scale industrial undertakings	8206.57	5661.47
Interest accrued but not due on loans and deferred credits	18.10	28.76
	<u>8574.73</u>	<u>5855.06</u>

# Sundry creditors do not include any amounts outstanding as on March 31, 2003 which are required to be credited to the Investor Education and Protection Fund.

## SCHEDULE 11 — Provisions

Proposed dividend	1767.80	1923.78
Corporate dividend tax	226.50	—
Taxation (net of payments)	937.72	613.50
Provision for encashable leave salary	703.85	628.02
	<u>3635.87</u>	<u>3165.30</u>

## SCHEDULE 12 — Deferred tax (net)

Deferred tax assets		
— Accrued expenses deductible on payment	750.25	289.54
— Voluntary retirement scheme	101.65	150.82
— Capital losses carried forward	—	98.05
— Provision for doubtful debts/advances	881.56	67.50
	<u>1733.46</u>	<u>605.91</u>
Deferred tax liabilities		
— Accumulated depreciation	967.02	916.10
— Capital gains	33.39	—
	<u>1000.41</u>	<u>916.10</u>
Deferred tax assets/(liabilities) (net)	<u>733.05</u>	<u>(310.19)</u>

For the year ended  
31.3.2003

For the year ended  
31.3.2002

## SCHEDULE 13 — Other income

Rent and hire charges (gross) from:		
— Others	111.78	49.18
Interest (gross) from:		
— Debts, deposits, loans, etc.	181.36	169.28
Income (gross) from other long term investments:		
— Dividends	47.43	85.72
— Interest	115.50	172.39
Dividends from other current investments	—	158.33
Profit on redemption/sale of other long term investments(net)	364.45	143.47
Profit on sale of other current investments (net)	229.67	181.69
Export incentives	321.59	—
Sundries	316.53	272.46
	<u>1688.31</u>	<u>1232.52</u>
Tax deducted at source:		
Income from other long term investments:		
— Interest	—	0.97
— Dividend	3.98	—
Interest income	25.28	24.17
Rent and hire charges	11.82	10.97
Sundries	1.84	0.95

# GODFREY PHILLIPS INDIA LIMITED

*Rupees in lacs*

	For the year ended 31.3.2003	For the year ended 31.3.2002
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## SCHEDULE 14 - Raw and packing materials, manufactured and other goods

Raw and packing materials consumed	13507.65	10652.40
Purchases for resale (including transferred from raw and packing materials)	4496.66	3714.29
Decrease in work-in-process, finished goods and other goods		
Opening stock:		
— Work-in-process	37.05	54.75
— Cigarettes	2747.31	2949.93
— Other goods	588.21	513.10
— Real estate	294.15	294.15
	<u>3666.72</u>	<u>3811.93</u>
Closing stock:		
— Work-in-process	58.83	37.05
— Cigarettes	2440.27	2747.31
— Cigars	17.65	—
— Other goods	449.52	588.21
— Real estate	294.15	294.15
	<u>3260.42</u>	<u>3666.72</u>
	<u>406.30</u>	<u>145.21</u>
	<u>18410.61</u>	<u>14511.90</u>

## SCHEDULE 15 — Manufacturing and other expenses

Salaries, wages and bonus (Refer Note 10)	3335.48	3171.01
Contribution to provident and other funds (including administrative charges)	255.19	236.02
Workmen and staff welfare expenses	379.18	411.33
Contribution to gratuity and superannuation fund	274.76	270.03
Consumption of stores and spare parts	29.63	44.73
Power and fuel	535.06	481.02
Repairs and maintenance — Buildings	232.27	209.97
— Machinery	439.21	440.37
— Others	185.34	189.40
Rent	546.99	635.63
Rates and taxes	5559.82	3879.38
Insurance	185.68	179.00
Freight and cartage	541.18	467.83
Legal and professional expenses	2883.35	1612.24
Auditors' remuneration	49.58	53.90
Interest — Fixed loans	89.94	93.00
— Others	159.55	74.81
Cash discount	34.98	48.19
Commission paid to other selling agents	74.48	101.09
Advertising and sales promotion	8776.92	8521.48
Selling and distribution expenses	1164.54	727.32
Travelling and conveyance	1132.37	959.08
Donations	61.34	38.49
Bill discounting charges	112.31	252.39
Bad debts and advances written off	3.18	2.93
Provision for doubtful debts and advances	4.24	40.28
Fixed assets written off	16.25	16.15
Loss on sale of fixed assets(net)	9.46	16.81
Technical services fee and royalty	717.55	499.29
Provision for diminution in the value of other long term investment	—	169.87
Loss on other current investments	—	169.75
Miscellaneous expenses	1963.55	1823.71
	<u>29753.38</u>	<u>25836.50</u>
(a) Consumption of stores and spare parts has been computed after deducting the amount charged to repairs and maintenance - machinery	364.86	364.28
(b) Insurance has been computed after deducting the amount for transit insurance charged to raw and packing materials, stores, etc.	9.76	8.10

# GODFREY PHILLIPS INDIA LIMITED

## SCHEDULE 16 — Notes to the consolidated accounts

### 1. BASIS OF CONSOLIDATION

The Consolidated Financial Statements have been prepared in accordance with Accounting Standard 21 (AS 21)-“Consolidated Financial Statements” and Accounting Standard 23 (AS 23) – “Accounting for Investments in Associates in Consolidated Financial Statements” issued by the Institute of Chartered Accountants of India. As this is the first year of adoption of AS 23, figures for the previous year have not been presented in respect of an Associate.

- a) The subsidiaries (which along with Godfrey Phillips India Limited, the Parent, constitute the Group) considered in the preparation of these consolidated financial statements are:

Name	Country of incorporation	Percentage of voting power as at	
		March 31,2003	March 31,2002
International Tobacco Company Limited	India	100	100
Chase Investments Limited	India	100	100
City Leasing and Finance Company Limited	India	100	100
Manhattan Credits and Finance Limited	India	100	100
Kashyap Metal and Allied Industries Limited	India	66.23*	66.23*
Unique Space Developers Limited	India	66.67*	66.67*

\* Held through other subsidiaries

- b) The Group’s associate is:

Name	Country of incorporation	Percentage of voting power as at March 31, 2003
Success Principles India Limited	India	48.89

The financial statements of the associate are drawn upto March 31. The Group’s investment in the associate was reported as Long Term Investment as on March 31, 2002 (Schedule 5) and stated at cost. On adoption of AS 23, during the year these investments have been accounted for using the equity method whereby the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group’s share of net assets. Consequently, the Group has recorded a net increase of Rs.23.51 lacs to the reserves as at April 1, 2002 in respect of Group’s share therein.

These Consolidated Financial Statements are based, in so far as they relate to amounts included in respect of subsidiaries and an associate, on the audited financial statements prepared for consolidation in accordance with the requirements of AS 21 and AS 23 by each of the aforesaid entities.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards.

#### i) Fixed assets and depreciation

Fixed assets are stated at cost of acquisition or construction less accumulated depreciation. Original cost of fixed assets acquired through foreign currency loans is adjusted at the end of each financial year by any change in liability arising out of change in the rates of exchange prevailing on the date of the balance sheet.

Value of goodwill, patents and trade marks and leasehold land is not amortised because, in view of the management, there is no diminution in their value.

Depreciation in the accounts is charged on the straight line method at the rates prescribed under the Companies Act, 1956 and is calculated on a full year basis on additions during the year and no depreciation is provided on assets deleted during the year. Extra shift depreciation is computed in full on a concern basis and not prorated to the number of days of shift working. Assets, other than items costing upto Rs. 5000 each, are depreciated upto 95% of their value and 5% residual value is retained in the books.

The depreciation rates which are different from the principal rates specified in Schedule XIV of the Companies Act, 1956 are as follows:-

Items of machinery and equipment costing upto Rs. 5,000 each acquired upto December 16, 1993	95%
Assets, other than data processing equipment, acquired upto December 31, 1987 and data processing equipment acquired upto December 31, 1986	SLM equivalent of rates applicable under the Income-tax Rules, 1962 at the time of acquisition of such assets.

# GODFREY PHILLIPS INDIA LIMITED

## ii) Investments

Long term investments, other than in associates, are stated at cost. Where applicable, provision is made for permanent diminution in valuation of long term investments. Investment in the associate is accounted for using the equity method. Current investments are stated at cost or fair value, whichever is lower.

## iii) Inventories

Inventories are valued at cost or net realisable value, whichever is lower except stores and spare parts which are valued at cost and real estate which is valued at revalued cost of land and construction thereon at cost. The cost of raw materials and stores and spares is determined on monthly weighted average cost basis. The cost of finished goods and work-in-process is determined on standard absorption cost basis which approximates actual costs. Absorption cost comprises raw materials cost, direct wages, appropriate share of production overheads and applicable excise duty paid/payable thereon.

## iv) Revenue recognition

Sale of goods is recognised at the point of despatch of goods to customers. Sales are inclusive of excise duty and luxury tax, where applicable but exclusive of sales tax.

Income from investments is recognised on an accrual basis.

## v) Retirement benefits

The Group has various schemes of retirement benefits such as provident fund, superannuation fund and gratuity fund duly recognised by the Income-tax authorities. The funds are administered through trustees and the contributions are charged against the revenue every year. Accrued liability for gratuity and leave salary encashable on retirement are determined on the basis of actuarial valuation at the end of the financial year.

## vi) Income-tax

Provision for income-tax is based on the assessable profits computed in accordance with the provisions of the Income-tax Act, 1961.

Deferred tax is recognised, subject to the consideration of prudence, on timing differences, being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred tax assets are recognised on unabsorbed depreciation and carry forward of losses based on virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

## vii) Proposed dividends

Dividends proposed by the directors as appropriation of profits are provided for in the books of account, pending approval of shareholders at the annual general meeting.

## viii) Research and development expenditure

Research and development expenditure is charged to revenue under the natural heads of account in the year in which it is incurred and the capital expenditure is treated in the same way as the expenditure on other fixed assets.

## ix) Foreign currency transactions

Transactions in foreign currency are recorded at the exchange rates prevailing at the time of the transactions. Gains/losses on settlement of the transactions are taken to the relevant revenue heads in the profit and loss account except in respect of fixed assets where exchange variance is adjusted in the carrying amount of fixed assets. Current assets and current liabilities are translated at the year end rates and the gains/losses are taken to the relevant revenue heads in the profit and loss account. The difference between the forward rate and the exchange rate at the date of the forward contract transaction is recognised as income or expense over the life of the contract and is taken to the profit and loss account.

## x) Investment subsidiaries

Income recognition, assets classification and provisioning are done in accordance with the prudential norms/guidelines issued by the Reserve Bank of India from time to time for Non-Banking Financial Companies.

*Rupees in lacs*

	For the year ended 31.3.2003	For the year ended 31.03.2002
<b>3. REMUNERATION OF DIRECTORS</b>		
Included in Schedule 15 are:		
Remuneration*	82.46	81.89
Commission	50.20	50.20
Sitting fees	2.35	2.65
	<b>135.01</b>	<b>134.74</b>

\* excludes incremental liability for gratuity and encashable leave salary which are actuarially determined on an overall basis.

# GODFREY PHILLIPS INDIA LIMITED

*Rupees in lacs*

	For the year ended 31.3.2003	For the year ended 31.03.2002
<b>4. EXPENDITURE ON SCIENTIFIC RESEARCH AND DEVELOPMENT</b>		
Revenue expenditure	<b>169.46</b>	45.24
Capital expenditure	<b>154.68</b>	—
<b>5. AUDITORS' REMUNERATION*</b>		
As auditors		
Audit fee	<b>23.88</b>	20.94
Out of pocket expenses	<b>2.27</b>	1.94
In other capacity:-		
For limited review of unaudited financial results	<b>6.20</b>	5.77
For corporate governance, consolidated financial statements and other certification work	<b>2.89</b>	0.74
For tax audit	<b>5.83</b>	5.82
For management consultancy	<b>2.44</b>	14.85
For provident fund audit	<b>0.79</b>	0.79
For miscellaneous certificates	<b>5.23</b>	0.83
Out of pocket expenses	<b>0.05</b>	2.22
	<b>49.58</b>	53.90

\* including service tax, where applicable

## 6. CONTINGENT LIABILITIES NOT PROVIDED FOR

a) Demands from excise, sales tax , income-tax and other authorities disputed by the Group	<b>163.38</b>	302.53
b) Cash security deposited on behalf of third parties in respect of excise duty	<b>28.81</b>	28.81
c) Guarantees given to a bank on behalf of third parties in respect of excise duty	<b>98.01</b>	98.01
d) Export bills discounted with banks	<b>56.21</b>	193.77
e) Claims against the Group not acknowledged as debts	<b>6.21</b>	6.21

7. a) The Group and its contract manufacturer have received various show cause notices from Excise Authorities asking them to explain why certain amounts mentioned in these notices should not be paid. As these notices are in the nature of explanations required, the Group does not consider these to constitute a liability of any kind.

b) During the year 1986, clearances of a brand of cigarettes manufactured on behalf of the Parent Company by the contract manufacturers including the subsidiary company-International Tobacco Company Limited, were permitted on a provisional basis against execution of bonds in favour of Excise Authorities by the respective manufacturers for which the Parent Company has stood surety. The bonds which were outstanding as on March 31, 2003 are to the extent of Rs. 270 lacs for the subsidiary company – International Tobacco Company Limited. However, no show cause or demand notice has been received by the manufacturers in this regard.

8. The Group has taken on lease plant and machinery, motor vehicles and office equipments of an aggregate cost of Rs.472.66 lacs (Previous year Rs.1594.60 lacs) with future obligations by way of lease rentals amounting to Rs.85.46 lacs (Previous year Rs.224.41 lacs). Lease rentals charged to the profit and loss account during the year is Rs.121.93 lacs (Previous year Rs. 289.13 lacs).

The Group has entered into various operating lease agreements for premises (residential, offices, godowns, etc.).These lease arrangements are cancellable in nature and range between two to three years and are usually renewable by mutual consent on mutually agreeable terms. The aggregate rentals paid under such agreements have been charged as rent in Schedule 15.

9. Exchange loss (net) included in the profit and loss account for the year is Rs.19.90 lacs (Previous year Rs.0.57 lacs).

10. Salaries and wages include payments under voluntary retirement schemes aggregating Rs. Nil (Previous year Rs.145.92 lacs).

11. Exchange difference in respect of forward exchange contract to be recognised as expense in the profit and loss account of subsequent accounting year amounts to Rs.4.54 lacs (Previous year Rs. Nil).



# GODFREY PHILLIPS INDIA LIMITED

*Rupees in lacs*

	For the year ended 31.3.2003	For the year ended 31.03.2002
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12. Earnings per share has been computed as under:

(a) Net profit as per consolidated profit and loss account (Rs.lacs)	<b>3810.29</b>	4814.88
(b) Weighted average number of equity shares outstanding	<b>1,03,98,784</b>	1,03,98,784
(c) Basic and diluted earnings per share (Rupees) (face value of share-Rs.10 each)	<b>36.64</b>	46.30

13. Related party disclosures under Accounting Standard 18

(A) Names of related parties and nature of related party relationships:

- (a) Associates:  
Philip Morris International Finance Corporation
- (b) Key management personnel:  

Mr. K.K.Modi	President and Managing Director
Mr. Lalit Kumar Modi	Executive Director
Mr. Samir Kumar Modi	Executive Director
Mr. S.V.Shanbhag	Whole-time Director
- (c) Enterprises over which key management personnel and their relatives are able to exercise significant influence:  
 Modi Entertainment Limited  
 Modicare Limited  
 Modern Homecare Products Limited  
 K.K.Modi Investment & Financial Services Private Limited  
 Beacon Travels Private Limited  
 Modi Entertainers Networks Private Limited  
 Modipon Limited  
 Assam Cigarette Company Private Limited  
 R.C. Tobacco Private Limited  
 HMA Udyog Private Limited  
 Kaushambi Investment & Leasing Company Private Limited  
 Bina Fashion N Food Private Limited  
 Healthcare Placements India Private Limited  
 Modicare Foundation

(B) Disclosure of transactions between the Company and related parties and the status of outstanding balances as at the year end:

*Rupees in lacs*

Nature of transactions	Associates		Key management personnel		Enterprises over which significant influence exists	
	2003	2002	2003	2002	2003	2002
Sale of goods	—	—	—	—	<b>183.01</b>	209.98
Purchase of goods/services	—	—	—	—	<b>476.49</b>	300.65
Purchase of fixed assets	—	—	—	—	—	26.41
Sale of fixed assets	—	—	—	—	—	0.56
Purchase of equity shares	—	—	—	—	<b>0.09</b>	0.01
Deposits given	—	—	—	—	—	23.34
Deposits received	—	—	—	—	<b>7.77</b>	—
Rent and hire charges received	—	—	<b>0.13</b>	0.13	<b>111.62</b>	38.79
Rent and hire charges paid	—	—	—	—	<b>21.14</b>	38.07
Advertisement charges paid	—	—	—	—	<b>191.06</b>	160.69
Payments for employees on deputation	—	—	—	—	<b>56.74</b>	56.15
Donation paid	—	—	—	—	<b>11.00</b>	—
Expenses recovered	—	—	—	—	<b>12.63</b>	17.60
Expenses reimbursed	—	—	—	—	<b>69.43</b>	7.73
Dividend payment (gross)	<b>691.29</b>	597.87	—	—	—	—
Managerial remuneration	—	—	<b>132.66</b>	132.09	—	—
Amounts written back	—	—	—	—	<b>0.23</b>	—
Balance outstanding as at the year end						
— Loans and advances	—	—	<b>0.05</b>	0.15	<b>2898.82*</b>	2395.30
— Sundry creditors	—	—	—	—	<b>125.19</b>	59.41
— Guarantees given to banks	—	—	—	—	<b>98.01</b>	98.01

\*Includes Rs.2270.09 lacs provided for as doubtful advances.

# GODFREY PHILLIPS INDIA LIMITED

## 14. Segment reporting disclosures under Accounting Standard 17

### (A) Business segments:

Based on the guiding principles given in Accounting Standard-17 "Segment Reporting" issued by the Institute of Chartered Accountants of India, the Group's primary business segments are (a) Cigarette and tobacco products; (b) Tea; and (c) Others (investment and real estate business activities of the subsidiaries).

### (B) Geographical segments:

Since the Group's activities/operations are primarily within the country and considering the nature of products it deals in, the risks and returns are same and as such there is only one geographical segment.

Financial information about the primary business segments is presented in the table below:

*Rupees in lacs*

	Cigarette and tobacco products	Tea	Others	Total	Cigarette and tobacco products	Tea	Others	Total
	For the year ended March 31, 2003				For the year ended March 31, 2002			
1. Segment revenue								
— External sales	104515.35	3134.69	—	107650.04	90126.05	4306.42	—	94432.47
— Other income	700.27	46.64	27.23	774.14	318.62	20.31	15.58	354.51
— Total	105215.62	3181.33	27.23	108424.18	90444.67	4326.73	15.58	94786.98
— Unallocable income				914.17				878.01
Total revenue				109338.35				95664.99
2. Segment result	5384.54	(241.23)	15.51	5158.82	7531.77	(371.65)	7.92	7168.04
— Unallocable income net of unallocable expenses				841.83				499.91
Profit before interest and taxation				6000.65				7667.95
— Interest expenses and bill discounting charges				(275.55)				(398.57)
— Provision for income-tax				(1916.45)				(2454.50)
Profit after taxation before share of results of associate				3808.65				4814.88
Share of net profit of associate				1.71				—
Profit after taxation before minority interests				3810.36				4814.88
3. Other information	As at March 31, 2003				As at March 31, 2002			
a) Segment assets	21638.83	1011.09	1373.51	24023.43	21203.69	1088.89	1293.69	23586.27
— Unallocable assets/investments				17786.20				14220.92
Total assets				41809.63				37807.19
b) Segment liabilities	8875.24	268.67	11.66	9155.57	6015.80	340.32	9.81	6365.93
— Share capital and reserves				26290.42				24440.77
— Unallocable liabilities				6363.64				7000.49
Total liabilities				41809.63				37807.19
	For the year ended March 31, 2003				For the year ended March 31, 2002			
c) Capital expenditure including capital work in progress	1417.59	31.26	67.70	1516.55	904.50	40.54	139.94	1084.98
d) Depreciation	1063.09	30.76	0.14	1093.99	969.42	28.67	0.15	998.24
e) Non cash expenditure other than depreciation	2345.17	4.98	—	2350.15	114.08	8.92	—	123.00

### Segment accounting policies:

In addition to the significant accounting policies applicable to the business segments as set out in Note 2 in Schedule 16, the accounting policies in relation to segment accounting are as under:

#### a) Segment revenue and expenses:

Segment revenue and expense only include items directly attributable to the segment. They do not include income from or loss on investments (other than relating to the business activity of the investment subsidiaries), interest income

from inter-corporate deposits and loans given, interest expense (excluding those relatable to segments) and bill discounting charges, donations and provision for taxation (both current and deferred). Since the corporate office of the Parent Company primarily caters to the cigarette and tobacco products segment, its expenses have been considered to be attributable to the same.

b) Segment assets and liabilities:

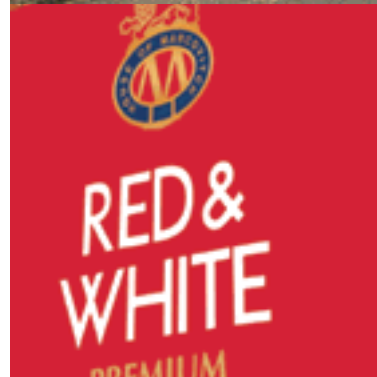
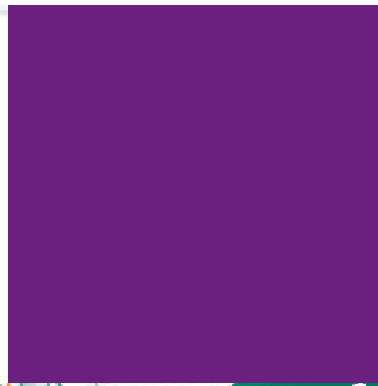
All segment assets and liabilities are directly attributable to the segment.

Segment assets include all operating assets used by the segment and consist principally of net fixed assets, inventories, sundry debtors, loans and advances and operating cash and bank balances. Segment liabilities include all operating liabilities and consist principally of creditors and accrued liabilities. Segment assets and liabilities do not include investments (other than those held by the investment subsidiaries), inter-corporate deposits and loans given, bank balances for unclaimed dividend and fixed deposits interest, real estate stock, share capital, reserves and surplus, loan funds, dividends payable and income-tax (both current and deferred).

15. The Group, as on March 31, 2003 has a net outstanding amount of Rs.2270.09 lacs due from some manufacturing units in Assam, being the advances given to them for making deposits with excise authorities which, under the contractual arrangements with them, they were to return to the Group on receipt of refund of such deposits from the excise department in pursuance of an exemption notification issued by the Central Government in July, 1999. However, the Government has, through the Finance Act, 2003 amended the said notification retrospectively denying the benefits thereunder to the manufacturers of cigarettes and tobacco products. These units have challenged the legality of the impugned legislation in the writ petitions filed before the Guwahati High Court.

As per the latest audited balance sheets as at March 31, 2002, these units have accumulated losses in excess of their equity capital. The Group as a measure of prudence has provided for the total outstanding amount of Rs.2270.09 lacs (Net of deferred tax credit – Rs.1455.70 lacs) due from these units on the basis of its own assessment that they may not be in a position to repay the outstanding advances unless they receive refunds from the excise department.

16. The figures for the previous year have been re-cast, wherever necessary to conform to the current year's classification.





“Our vision is to be amongst the leading tobacco companies in the world. That is what propels us constantly to newer and higher achievements. However, it is our values that strengthen our organization from within, and will give us the power to convert our vision into reality...”